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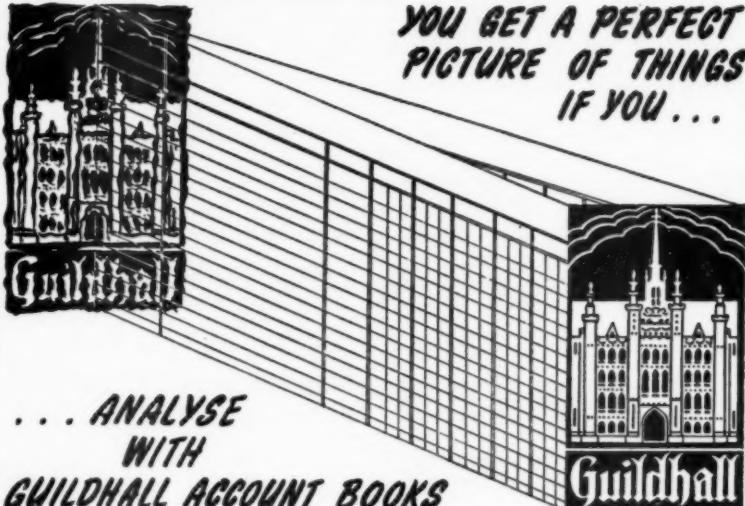
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Professional Notes

Scottish and Irish Institutes Vote for Integration

MEMBERS OF THE Scottish Institute in favour, 1,822; against, 323. Members of the Irish Institute in favour, 456; against, 93. Thus on postal votes both the Institute of Chartered Accountants of Scotland and the Institute of Chartered Accountants in Ireland have approved the proposals to integrate with the Society of Incorporated Accountants. A majority of 66½ per cent. was required in the Scottish Institute and one of 84.9 per cent. was obtained; a simple majority was required in the Irish Institute and one of 83.1 per cent. was obtained.

All three Chartered bodies have now approved integration—for at the postal voting in the Institute of Chartered Accountants in England and Wales, as announced in our last issue (page 153), a majority of 70.2 per cent. voted in favour of the scheme to integrate the Society with the

Institute. On April 17 there was held the confirmatory meeting of the English Institute and the resolution to amend the supplemental Royal Charter was passed by 199 votes to 25.

The members of the Society will now have to pronounce upon the integration proposals. First there will be an extraordinary general meeting at which a vote will be taken by show of hands. This meeting will be held on a date to be announced. Following the meeting a postal vote, which will be the effective one, will be taken. Meanwhile, meetings under the auspices of District Societies are being held at a large number of centres in the United Kingdom, with a member of the Council and the Secretary of the Society in attendance. At the meetings the schemes are to be explained and members' questions answered. Meetings have already been held in Birming-

ham, Bournemouth, Carlisle, Glasgow, Southampton and Stoke-on-Trent and the arrangements for other meetings are set out in "Events of the Month" on pages 245-6 of this issue.

Accounting for the Nation—

THE GROSS NATIONAL income went up by about £1,200 million last year, but something like 80 per cent. of the increase was simply the reflection of higher prices. The split of the £1,200 million among the main classes of recipients and, on the other side of the account, the division into the main categories of expenditure, is set out in the table below. It is taken, with some adaptations, from *Preliminary Estimates of National Income and Expenditure, 1951-56* (Command 123, price 9d. net, H.M. Stationery Office):

	INCOME (£ million)		
	1955	1956	
Income of employees and the Forces ..	11,206	12,201	
Professional earnings ..	257	254	
Profits of sole traders and partnerships and farmers' incomes ..	1,410	1,441	
Profits of companies* ..	2,883	2,968	
Miscellaneous† ..	1,247	1,288	
<i>Less Stock appreciation ..</i>	<i>200</i>	<i>150</i>	
Gross national income	16,803	18,002	
* Gross of depreciation allowances.			
† Profits of public bodies and undertakings, rent, net income from abroad and residual error.			
	EXPENDITURE (£ million)		
	1955	1956	
Personal consumption	12,772	13,378	
Current expenditure of public authorities ..	3,211	3,513	
Capital formation:			
1955 1956			
Fixed assets	2,855	3,088	
Stocks	300	200	
<i>Plus exports and income received from abroad not offset by imports and income paid abroad</i>	<i>3,155</i>	<i>3,288</i>	
	<i>55</i>	<i>276</i>	
Gross national expenditure (at market prices)	19,083	20,455	
<i>Less indirect taxes (net of subsidies)</i>	<i>2,280</i>	<i>2,453</i>	
Gross national expenditure or product (at factor cost) ..	16,803	18,002	

CHANGES IN EXPENDITURE AND SUPPLIES BETWEEN 1954 AND 1956 £ million at 1955 factor cost

	Changes between			Changes between	
	1954 and 1955	1955 and 1956		1954 and 1955	1955 and 1956
<i>Expenditure</i>					
Consumers' expenditure	+ 330	+ 60			
Public authorities' current expenditure on goods and services	- 40	+ 50			
Gross fixed investment:					
(a) dwellings	- 45	- 25			
(b) other fixed investment	+ 205	+ 105			
Investment in stocks and work-in-progress ..	+ 220	- 100			
Exports of goods and services	+ 240	+ 250			
Total change in expenditure	+ 910	+ 340			
<i>Supplies</i>					
Gross domestic product					
Imports of goods and services	+ 540	+ 240			
	+ 370	+ 100			
Total change in supplies ..	+ 910	+ 340			

Putting the chief items of expenditure and supplies in terms of 1955 prices and taking out the differences over the last two years, another White Paper (*Economic Survey, 1957* (Command 113), price 2/- net, H.M. Stationery Office) gives the table set out above.

Thus, after allowing for the expansion in exports, there was in 1956 only £90 million more of goods and services available for use at home than had been available in 1955. As the *Economic Survey* rather unemphatically puts it, there was a "check to the boom."

The virtual constancy last year of consumers' expenditure in real terms meant that a large part of the addition to personal incomes in money terms was saved: personal savings rose by about a half from the total of some £1,000 million recorded for 1955. In contrast, undistributed profits of companies were about the same in 1956 as in 1955 (and in 1954 also), at around the £1,500 million mark, uncorrected for price changes. Gross fixed investment was 16 per cent. of gross national product, the same proportion as in 1955.

A feature of the income side of the first table above is that professional people are the only one of the classes of income receivers whose money incomes failed to advance last year.

—And Striking the International Balance

BY DINT OF the rise in exports and stability of imports, the United Kingdom managed to swing the balance of payments in the right direction by well over £300 million last year. An adverse balance of £123 million was turned into a favourable one of £210 million.

	£ million	
Debits:	1955	1956
Visible imports ..	3,429	3,462
Invisible imports ..	994	1,064
	4,423	4,526
Credits:		
Visible exports ..	3,070	3,403
Invisible exports ..	1,230	1,333
	4,300	4,736
<i>Current account balance*</i>		
Adverse	123	
Favourable		210

* Excluding defence aid.

Sales to North America and Western Europe much improved. North America took 23 per cent. more than in 1955 and Western Europe 11½ per cent. more. The same areas had also been the most rapidly growing markets in 1955.

The constancy of imports, while aiding our external balance, is unfortunately mirrored in the virtual stagnation of industrial production,

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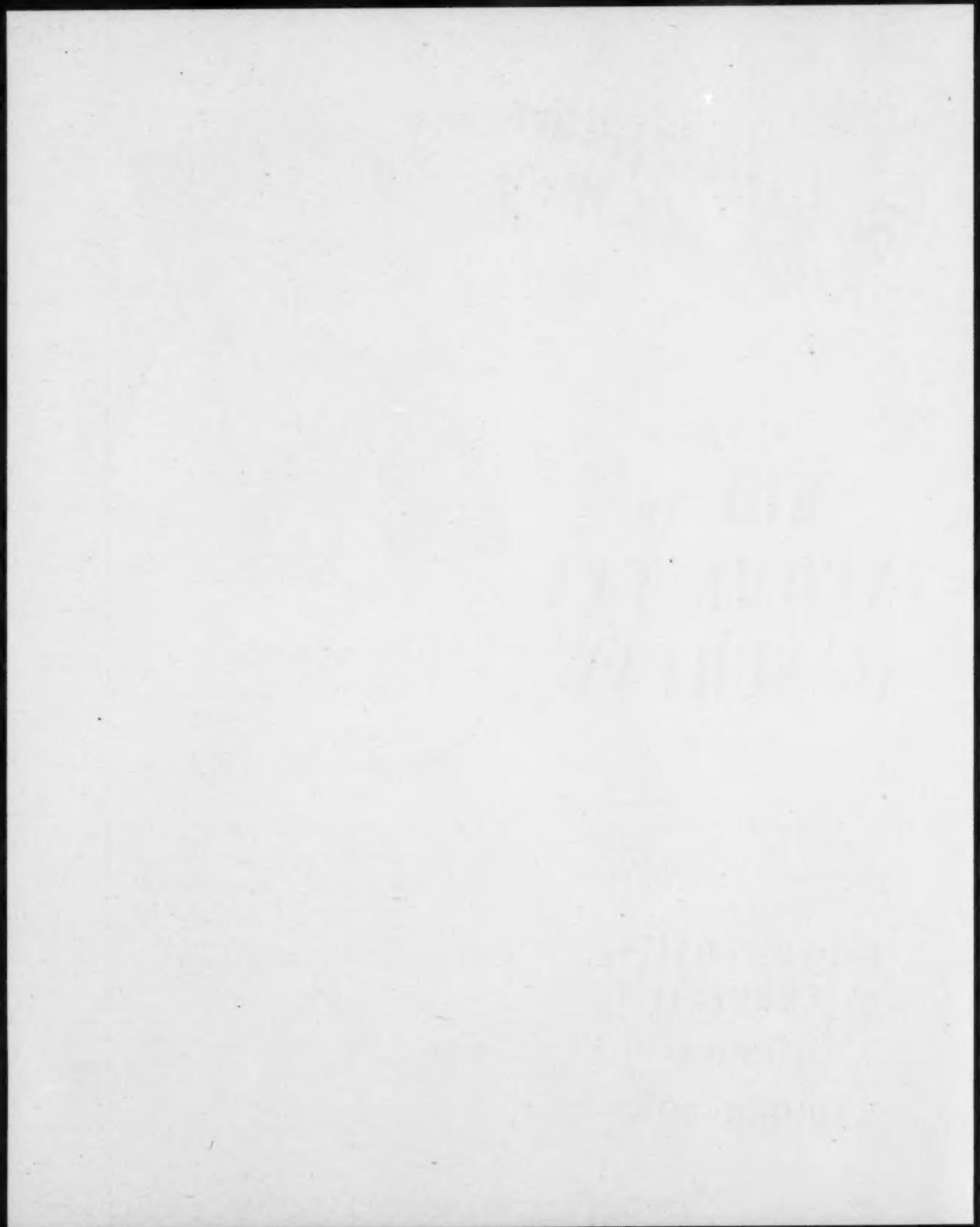
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Other Tables

Tables
all Years



so that a large part of the credit on the external accounts was, in effect, bought last year at the cost of domestic output.

More Informative Accounts—

EVIDENCE CONTINUES TO spring up to show that more and more interest is being taken in the presentation of financial information that can be readily assimilated by employees, shareholders and the general public alike. The subject of passing information to workers has been covered in a full-scale survey by the British Institute of Management (reviewed in our last issue, page 154). Some pertinent remarks upon informing shareholders were made by Sir John Braithwaite, the chairman of the London Stock Exchange, at the recent annual dinner of the East Anglian Society of Chartered Accountants. Professor W. T. Baxter, Professor of Accounting at the London School of Economics, in an article in the *Accountants' Magazine* for February, 1957, discussed the whole question of accounts as a vehicle of communication.

Sir John cited the dangers inherent in the joint stock system—the directors may tend to forget that they are merely elected representatives and may identify themselves more and more with the business, less and less with the interests of their co-owners, the electors. Shareholders must be ever alert to pull up short any Board that ignores their proper interests. The stumbling block, unfortunately, is that many shareholders know little or nothing about accounting. In consequence, urged Sir John, accounts must be issued in easily understood form, "so that the wayfaring man, though a fool, shall not err therein."

The call for more attractive and informative reports, said Sir John, had been answered by hundreds of companies. Instead of the old unattractive sheets telling the minimum, reports were becoming well produced and informative booklets. Smaller advance, he considered, had been made in the presentation of the accounts proper—but progress was "on the way."

Professor Baxter seems to go

rather further on this last point: the most useful experiments now taking place are, he thinks, in the layout and style of published accounts. Readers who follow our own feature "Points from Published Accounts" will probably agree that there is growing awareness of the potentialities of annual accounts as a medium for informing shareholders. Increasingly attempts are made to convey the facts simply and in foolproof form for the "wayfaring man." This welcome tendency carries with it a very real danger, however—the danger that pursuit of simplicity may sometimes lead to misrepresentations of the facts, probably inadvertently, but conceivably by intent.

—And Some of the Dangers

ONE OF THE most usual forms of simplified representation of the salient financial facts of a business is diagrammatic, showing the proportion of each pound sterling of income distributed under the various headings—wages, taxation, dividends and so on. In some quarters these drawings of cakes and pies and the like are held to be misleading because the dividend shown is usually net, and thus like is being compared with unlike, the effective result being that, in the eye of the critic, the amount shown as distributed in dividends is much less than ought to be shown. Again, there are many people who would like to see the description of dividends as a percentage of the nominal capital replaced by some form of relationship with the actual assets employed in the business (see ACCOUNTANCY for April, page 162). No-par-value shares at once suggest themselves, but for them one must await legislation—and there is no sign that it is on the way. Even this reform would not automatically do away with the problem presented when reserves form a large part of the shareholders' equity—a feature of company accounts considered by many to be objectionable—but if no-par-value shares could be issued, it would certainly be much easier to keep the structure of the share capital of a business in line with its assets. Yet, it should be emphasised, even

without shares of no par value, dividends could be related to capital employed if companies were so disposed to relate them.

But these are large concepts; there are many smaller ways in which accounts can mislead—in particular, ways in which glossy display, pictorial statistics, short-cuts to the full accounting conspectus and "without tears" version of the accounting story can hide important facts or even, on occasion, be deliberately twisted. One easy method that is being used to get round the problem that it is impossible to arouse the interest of shareholders, let alone of workers, in the mass of figures that the orthodox presentation entails is to produce simplified and unaudited accounts that concentrate upon the salient items—trading profit, taxation, net profit, dividends and so on. There could conceivably be some misrepresentation in such simplified accounts, especially since they are usually backed by a complete and fully audited set of accounts. It is the simplified version upon which most laymen will concentrate, to the exclusion of the full one. An alternative is to have simplified accounts that are duly audited, and not to publish the figures in more orthodox form. This is the practice adopted by *Charles Winn and Co. Ltd.* But the recent simplified accounts of this company lent themselves to the criticism, expressed by us in our March issue (page 140), that they had to be supported by a plenitude of explanatory notes, to which some of the really basic accounting information was relegated. Mr. N. K. Mousley, the chairman of the company, in a letter published in the present issue (page 231), promises that in the next set of accounts of his company the layout will be modified to meet the criticism. He hopes that the new form may perhaps be suitable as a standard, to be modified to suit particular needs. We await the accounts expectantly: has Mr. Mousley found the golden mean?

All this certainly shows one thing—company accounting is always on the move, but the Companies Act of 1948 stands still. Perhaps the present trend towards simplified accounting

and its possible abuses will bring revision of the Act somewhat nearer.

Capital and Yields on 'Change

STATISTICS OF THE interest and dividends on quoted securities have been published by the Council of the London Stock Exchange for the third year. This year there are no new features, but the figures gain in value by the lengthening of the period over which comparisons can be made. The nominal value of loan capital rose on the year by 3.6 per cent. and that of share capital by 6.3 per cent., but the market value of fixed interest securities fell by 4.1 per cent., and of Ordinary capital by 6.7 per cent. These figures relate to mid-year, and market values continued to fall after the middle of 1956. The average percentage on share capital at market value rose from 5.26 to 6.05. As would be expected, market value of loan capital as a percentage of its nominal value fell in each of the past two years—it was 78 per cent. last year compared with 84 per cent. in 1955 and 92 per cent. in 1954. The corresponding percentages for Preference capital were 85 per cent., 97 per cent. and 104 per cent. For Ordinary capital there was a drop in the percentage last year, almost to the 1954 level of 272 per cent., from the 1955 peak of 315 per cent.

Total interest on quoted securities rose in 1955/56 by £49 million (7.9 per cent.) and total dividends by £43 million (7.2 per cent.). It will be observed that the percentage rises in share dividends and in loan interest were smaller than the 9 per cent. rise in salaries and wages, but more than the 5 per cent. estimated rise in the prices of consumer goods and services.

Doyen Incorporated Accountants

THE OLDEST MEMBER of the Society of Incorporated Accountants is Mr. S. T. Coulson, F.S.A.A., who at the age of ninety still conducts as a sole practitioner the practice that he established in West Hartlepool in 1900. He is at work in his office almost every day.

Mr. Coulson passed the Final Examination of the Society in December, 1899, and became a member



MR. S. T. COULSON, F.S.A.A.

two months later. For a time he held the appointment of accountant to the North Brancepeth Coal Co. Ltd., Darlington, and subsequently he became chairman of the Board of the company. He was also chairman of Richardsons, Westgarth and Co. Ltd., the well-known marine engineers, and has held other important directorships. Many of his fellow-members have met Mr. Coulson from time to time at functions held by the Society and by the North of England District Society. In 1946 a warm welcome was given to him as the oldest member at the jubilee dinner of the District Society. He recalls also that he and his wife attended the fiftieth anniversary celebrations of the parent Society in 1935, during the Presidency of the late Sir James Martin, F.S.A.A. Gradually and reluctantly he has given up his favourite recreations of hunting, shooting and fishing.

Mr. Coulson just wins on age. But there are twenty other Incorporated Accountants who also passed the Final Examination last century—all but two of them before Mr. Coulson. One member passed it as early as December, 1893. Twelve of the twenty-one are still active in professional practice. Incorporated accountancy seems a healthy calling!

Our congratulations go out to the twenty-one senior members of the Society.

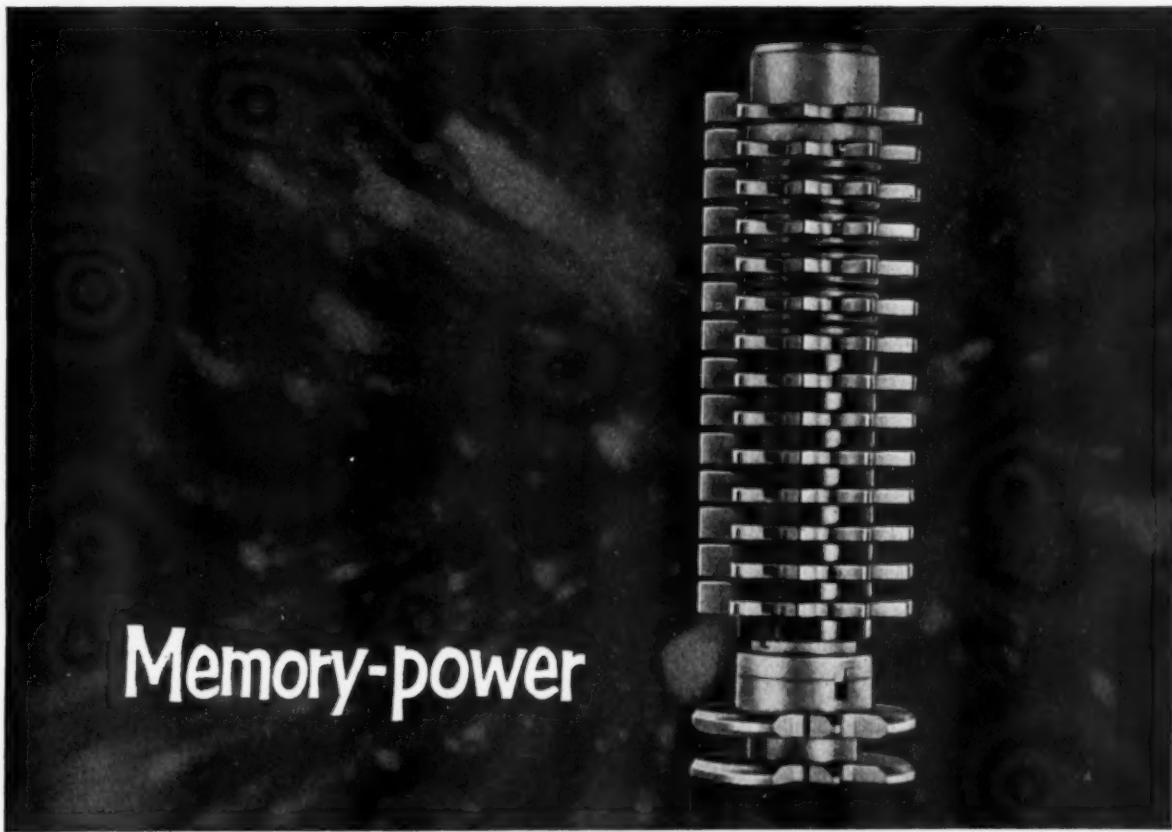
Restrictive Agreements on Trial—The First Round

THE FIRST CASES that will come before the new Restrictive Practices Court have now been named. Notices of reference in respect of the restrictive agreements concerned are soon to be formally issued by the Registrar of Restrictive Trading Agreements.

These first trials will be of price fixing for cotton yarns (single and doubled yarns), carpets (woollen or worsted pile), shell boilers, corrugated paper and structural steelwork; of recommending prices for bread, flour, school milk, hard fibre cordage and high conductivity copper semi-manufactures; and of the system of selling certain proprietary medicines exclusively through approved wholesalers and retailers.

The Court will have to decide whether these practices can continue or not. Anyone who is able to provide evidence from his own experience of the results of any of them, as the public interest is affected, is asked to communicate with the solicitor to the Registrar.

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picked by the Board of Trade for assignment from 1,400 agreements sent in to the Registrar for registration. The register is now open to inspection on Mondays to Fridays at the offices of the Registrar in London, Edinburgh and Belfast.

The procedure to be followed in proceedings before the Court is prescribed in the Restrictive Practices Court Rules, 1957 (Statutory Instrument No. 603 of 1957). It may be noted that a final hearing is to be in open court unless, under powers conferred upon it by the rules, the Court decides that if the sitting is in private the public interest will be served or legitimate business interests will be protected.

Point Counterpoint in India

INDIA NOW HAS a decimal system of coinage. It replaces the age-old system of the rupee of 16 annas and the anna of 12 pie. Now the rupee has 100 "naya paise."

The decimal system of coinage is welcomed in banking and business. It is well received also by accountants and auditors, for it will greatly simplify the casting of accounts and the checking of calculations. Commercial Departments of the Government—railways, posts, telegraphs and telephones, air transport corporations and so on—find the new system much more convenient than the old. Administrative Departments of the Government, too, and local government offices engaged in tax assessing, collecting and recording, hail the change as eliminating much work of calculation.

But the transition stage is very trying. The Indian people by long tradition understand the previous system, awkward and cumbersome though it was. How long will it take for the new system to become familiar, and in the process of change will difficulty in calculating from the new currency to the old mean that advantage will be taken of the arithmetically inexpert—though they are to be armed, at Government expense, with ready reckoners? Even with ready reckoners it will be hardly surprising if some are driven dotty with what a British Prime Minister

called those "damned dots." Even business people may not easily adjust themselves to the new system. For instance, a trader may have been selling an article at one anna. The exact equivalent is now 6.25 naya paise but the denominations of the new coins are one, two, five and ten naya paise, with the four anna and eight anna coins, corresponding to 25 and 50 naya paise, continuing in use for some time. The trader would either have to mark the article up to seven naya paise and perhaps lose some business or mark it down to six naya paise and cut his profit margin.

These are temporary difficulties, however. In the end the time that will be saved in calculating, in recording transactions and in making up accounts will be enormous. But a decimal system of coinage carries the reform only part of the way. The introduction of the metric system of weights and measures is to follow very soon. This further reform will be even more memorable, for while the old currency system was at least universal in India, there is a confused medley of weights and measures among the various States. For example, a unit called the "seer" means something different in the different States.

New President of Scottish Institute

THE PRESIDENT OF the Institute of Chartered Accountants of Scotland for 1957/58 is Mr. James Thompson Dowling, C.A. Mr. Dowling is a partner in Thomson McLintock & Co., Chartered Accountants, of Glasgow, with whom he served his apprenticeship. He was admitted as a Chartered Accountant in 1925. From 1936 to 1939 he was a member of the Council of the Institute of Accountants and Actuaries in Glasgow and since 1955 has been on the Council of the Scottish Institute. Mr. Dowling is a director of the Bank of Scotland, the Scottish Amicable Life Assurance Society and other companies.

The new Vice-President is Mr. Robert Ian Marshall, B.COM., C.A., a partner in Dewar and Robertson, Chartered Accountants, and in

Graham, Smart and Annan, Chartered Accountants, both of Edinburgh.

The Universities Scheme

AT THE FIFTH conference convened by the Joint Standing Committee of the Universities and the Accountancy Profession, held at Derby Hall of the University of Liverpool from March 29 to 31, reports were received from the local joint committees and the progress of the scheme reviewed. Discussions on a wide range of topics showed that there had been considerable progress on the lines indicated by the McNair Committee in 1944. The quality of entrants to the special degree course had improved. For the first time since the scheme began in 1945 there were more than 200 first-year students following one of the special courses.

Dr. J. M. Whittaker, M.A., D.Sc., F.R.S., Vice-Chancellor of the University of Sheffield and Chairman of the Joint Standing Committee, presided at the conference. It was attended by members of the Joint Standing Committee, which is representative of fourteen universities, and by members of local joint committees of accountants and university representatives.

Memorial to the First Chief Scout

THE BOY SCOUT movement is to erect as a memorial to its founder, the first Lord Baden-Powell, a building in which oversea scouts visiting London can obtain accommodation at reasonable cost. The site of the new building is at the junction of Queen's Gate and Cromwell Road, South Kensington, London, and plans have been prepared by Mr. Ralph Tubbs, O.B.E., F.R.I.B.A.

Since the death of the first Chief Scout in 1941, the scouts themselves have raised a sum which, with accrued interest, now amounts to £185,000. A further £200,000 is needed to complete the building and to provide an adequate endowment. In Scout fashion, the movement likes to pay its own way, but wishes to make the memorial to its founder a truly national one, and is therefore making a public appeal for the money

needed. The appeal is the first since 1938 made in this country by the movement, in which more than seven million boys of every colour, creed and race find a rich life of adventure and service.

At the request of Lord Rowallan, the Chief Scout, the appeal is commended to all Incorporated Accountants by the President of the Society, Sir Richard Yeabsley, C.B.E.

Accounting in the Middle Ages

FRANCESCO DI MARCO Datini lived from approximately 1335 to 1410. The son of a poor taverner, he became a prosperous merchant with interests throughout the then civilised world. At his death he left instructions that all the papers collected by himself and his associates should be preserved in his house in Prato. In 1870 when "some learned citizens of Prato brought them to light an astonishing number still remained: some 150,000 letters, over 500 accounts books and ledgers, 300 deeds of partnership (some of the other small companies connected with his own), 400 insurance policies and several thousand bills of lading, letters of advice, bills of exchange and cheques." Drawing on this mass of information Countess Iris Origo* has prepared a fascinating biography of the merchant, including not only some reference to his activities as a commercial magnate, but his relationship with his wife, partners and servants, and other relatives and friends.

The book is not primarily concerned with the commercial records and papers, but there are a number of references to Datini's ledgers and accounts. The life and prosperity of a merchant in the middle ages were regarded as particularly hazardous, and it was customary for him to record in his books that he placed himself directly under the protection of the supreme being. Thus Pacioli advised that the merchant should "always commence his affairs in the name of God, whose name must

appear at the beginning of every manuscript." Similarly, we are told that on the first page of Datini's great ledgers stood the words "In the name of God and of profit." The author comments that these "were the only goals to which these merchants aspired: profit in this world or the next."

We learn also, in another passage, that it was the custom in many trading companies for a special account to be opened in the ledger for a share of the profits assigned for charity, called God's Account—*il conto di Messer Domeneddio*. Although it appears that the Datini firms did not follow this practice, the ledgers showed a regular monthly payment of alms, prompted not so much from the desire to do good to the receiver, as in the belief that the true benefits of almsgiving are to the giver. Francesco, we learn, gave alms freely, paid his tithes regularly, built shrines and chapels; the ten commandments stood at the head of his ledgers. His piety was not, however, matched by some other personal qualities.

Throughout his life Datini appears to have kept regularly and methodically private account books, containing details of his day-to-day expenditure, and periodical inventories of his personal possessions. The book includes a most absorbing chapter on these account books, building up into a surprisingly detailed picture of the clothing, food and social customs of the time. The entries in the cash records appear to be collated with the relative papers and correspondence.

Datini's trading activities were organised through several companies or partnerships, which he controlled. They were in the main of short duration, usually of two years. Each of these companies had its own books kept by the system of double-entry known then and for many years afterwards as the Italian method of bookkeeping. Although the Marchesa Origo does not deal fully with this side of the archives it is fortunate that the bookkeeping records have already been examined. A recent article by Professor Raymond de Roover ("Accounting Prior to

Luca Pacioli" in *Studies in the History of Accounting*) contained some valuable information on the important developments in account-keeping shown in the Datini books. Professor de Roover says that in the early stages of his career, during his residence at Avignon, Datini's ledgers were kept by single-entry, the accounts being split, the debit side in front and the credits at the back. An account was closed by transferring the smaller total to the other side and deducting it to show the net balance. In the next stage, also exemplified in the Datini books, personal accounts are kept in the normal bilateral form, but the expense account and the profit and loss account had the credit beneath instead of alongside the debit. In his article Professor de Roover reproduces in summarised form the balance sheet dated January 31, 1399, of the Datini company operating in Barcelona, where the books were then kept in the full double-entry form. It is interesting, particularly after reading what the Marchesa Origo writes about the slave trade, to see among the assets in this balance sheet an entry for "Martha our slave" valued at £30 in Barcelonese currency, and listed under the general heading of "fixtures" with office furniture. Professor de Roover also states that examples of job accounting with allocations of overheads and indirect labour costs have been found in the Datini records.

County Council Precepts

ARREARS OF RATES on account of the withholding of payment under Section 1 (7) of the Rating and Valuation (Miscellaneous Provisions) Act, 1955, are frequently quite large, and rating authorities are arranging with county councils to modify the statutory duty to pay precepts in full. Various agreements, some of them quite complicated, were made last year covering the instalments of precepts payable for 1956/57. Now that the amounts of rates in dispute are known, it should be possible to settle the 1956/57 precepts, and to make payments on account of those for 1957/58.

* *The Merchant of Prato—Francesco di Marco Datini*. By Iris Origo. Pp. 380. Jonathan Cape: 35/- net.

It is not always remembered that under the proviso to rule 5 of the Rating and Valuation Act (Product of Rates and Precepts) Rules, 1938, a rating authority may defer payment of the balance due under a precept on account of the existence of rate arrears. The sum which may be withheld is that which bears the same proportion to the total precept as the arrears at March 31 bear to the total rate product. Normally the right is not exercised, as the arrears are generally only a small part of the total rate income. But if the arrears under Section 1 (7) of the 1955 Act are heavy, the withholding would be a simple way of overcoming a cash shortage. The final payment on account of the 1956/57 precept would then be made when the arrears had been collected.

In paying sums on account of the 1957/58 precept, any arrears under Section 1 (7) not yet settled (that is, rates due for 1957/58) should strictly be ignored, but if they are large, the county council might agree with the rating authority to take them into account. A record of rate liabilities settled would no doubt be kept, in order to dispose finally of the 1956/57 precept, so that it should be a simple matter to ascertain at any date the Section 1 (7) arrears for the current year. The arrangement might provide for withholding a proportion of the instalment of the precept due. If the precept is collected in eight equal instalments, the proportion to be withheld might be taken as the arrears multiplied by eight and divided by the total rate product. The calculation would give rough justice, but much depends on the method of collection of rates — for example, whether by quarterly or half-yearly instalments. The two authorities would have to agree on the dates on which the outstanding rates are to be treated as in arrears.

Whatever arrangement is adopted it would be best for a common agreement to be made between the county council and all the rating authorities in its area, since any bank interest incurred by the county council on the arrears would normally be shared according to the various penny rate products.

Shorter Notes

Stamp-Martin Seminars

Two Stamp-Martin seminars are to be held this month at Incorporated Accountants' Hall. On May 9, at 6 p.m., Professor Sidney Davidson of Johns Hopkins University, Baltimore, U.S.A., will give a paper on "Depreciation, Income Taxes and Economic Growth." On May 29 at 6.0 p.m., a paper on "Legal and Constitutional Aspects of the Investment of Trust Funds in the British Commonwealth of Nations" will be read by Professor R. C. Fitzgerald, Professor of English Law at University College and Dean of the Faculty of Laws in the University of London. An invitation is extended to all who are interested, but notice of intention to be present should be sent to Mr. T. W. South, Secretary of the Incorporated Accountants' Research Committee, at Incorporated Accountants' Hall.

Institute of Municipal Treasurers and Accountants

The following officers of the Institute of Municipal Treasurers and Accountants have been elected for the year 1957/58: President: W. O. Atkinson, M.B.E., F.I.M.T.A., County Treasurer, Middlesex. Vice-President: J. W. Hough, O.B.E., F.S.A.A., Borough Treasurer, Islington. Hon. Treasurer: John Ainsworth, M.B.E., F.S.A.A., F.I.M.T.A., City Treasurer, Liverpool.

Fees of the Public Trustee

An order made under the Public Trustee (Fees) Act, 1957, brings in a new and simplified structure of fees in the Public Trustee Office. Fees, with specified exceptions, are now to be paid out of capital. The order sets out the methods of calculating the acceptance fee, the administration fee, the withdrawal fee and fees for special services (insurance, dealing in securities, enquiries and tax work).

An H.P. Loophole Closed

The regulations have been stiffened by a prohibition on loans from traders and manufacturers to enable customers to pay the initial deposits on goods bought on hire purchase or the nine months advances on goods hired. The new regulations are in the Hire Purchase and Credit Sale Agreements (Control) Order, 1957 (Statutory Instrument No. 430 of 1957) and the Control of Hiring Order, 1957 (Statutory Instrument No. 431 of 1957).

Fish Costs

The costs of distributing white fish are analysed, and much information is given about costs and earnings in all sections of the trade, in a report published by the White Fish Authority (price 2s. 6d. post free from the Authority). Some of the statistics could well be used to compare the results of individual traders with average results.

University Courses for Scottish Institute Candidates

In his valedictory address at the recent annual general meeting of the Institute of Chartered Accountants in Scotland the outgoing President, Mr. G. I. Stewart, C.B.E., M.C., C.A., announced that although delays with certain university authorities had prevented the completion of the arrangements for the proposed university classes, it was hoped that the new scheme for the training and education of apprentices would be submitted to members during the summer or autumn. The scheme, one feature of which is the compulsory whole-time attendance at a university by apprentices for one academic year during their apprenticeship, was outlined in our issue of May, 1956 (page 163).

"Super-charging"

With the removal of the additional fuel tax, British Road Services have cancelled, as from April 15, their surcharge of 7½ per cent. on invoices, but have imposed instead a surcharge of 2½ per cent. to meet part of other increases in costs, other than wages. The Road Haulage Association announces that private hauliers have reduced by two-thirds the surcharge of 10 per cent. imposed by them.

Down with Double Entry!

In our last issue (pages 163-4) appeared an article with this title by Mr. R. H. Parker on the *English System of Book-keeping* by Edward Thomas Jones. There is a copy of this book, published in 1796, in the library of the Society of Incorporated Accountants at Incorporated Accountants' Hall. The library also has a copy of the very rare book written by Jones and published in 1797 explaining his system at greater length and answering some of his critics. This work is *A Defence of the English System of Book-keeping*. In the article in our last issue reference was made to a criticism published by James Mill. This James Mill was not the philosopher, father of John Stuart Mill, but a less well-known businessman.

EDITORIAL

Red and Amber

IT is probably inevitable that a Chancellor with only £100 million to dispense out of a total revenue of some £5,000 million, and faced with a great number of legitimate claims for relief, will assemble bits and pieces into a rather makeshift Budget, instead of casting a beautifully fashioned Budget in a single piece or forging a powerful one that will stand up to severe pressures and itself be an instrument of economic advance. Given the limitation of the £100 million, no one could reasonably expect Mr. Thorneycroft to do much differently from what he has done. He was committed last year by Mr. Macmillan to the most expensive of the concessions now made, the exemption of "overseas trade corporations" from tax on profits made abroad and not distributed here. Another item that is fairly large in relation to the total the Chancellor had available, though small by other standards, was the reduction of entertainments duty—again a relief that was unavoidable. The remission of the emergency increase in the petrol duty had also to be granted once rationing was seen to be almost ended. Mr. Butler's "tax on the kitchen," imposed in the Autumn Budget of 1955, was an obvious candidate for early extinction. So we are left with the income tax and surtax changes. It is only here that Mr. Thorneycroft had some room for freedom of action, and it is here that he deployed his resources with both originality and political audacity. The stepping-up of earned income relief and the extension to surtax of part of the income tax allowances are calculated to provide some resistance in the middle classes to the process of attrition to which they have for long been subjected. The Chancellor's audacity in allowing earned income relief at one-ninth beyond £4,000 and almost up to £10,000 might be too provocative, especially in a phase of renewed wage claims, and it certainly gave an argument to the Opposition, but it will cost the Exchequer only a trifle. The gearing of the larger allowances for children to their age, rather than to the income of their parents as recommended by the Royal Commission, seems to be a wisely chosen method of helping the family man without giving a further point against the Government.

But all this is in the context of the £100 million. The real issue this Budget-time is whether there should have been some more imaginative and dramatic moves from the Chancellor to shake, or even shock, the economy out of its slumber. His Budget gives a mild injection of benzedrine, to be sure, but the lethargy, partly due to bigger injections of sedatives and partly to deeply-seated disorders, remains. There were those who had hoped Mr. Thorneycroft would have a grand plan for replacing the purchase tax with a sales tax, a change which, as we have argued earlier in these columns, could have lasting and far-reaching benefits. But even such a re-casting of

indirect taxation would hardly revitalise the economy.

What is really in question is whether it is right at this stage of things to regard as paramount the protection of the pound sterling, or whether the pound should be rather less tenderly safeguarded and, instead, production be stimulated. The Chancellor has, in effect, pronounced that sterling matters above everything, that if the disinflation is relaxed before exports have further expanded, such an enlargement of imports is to be expected that the external accounts will once more go badly awry. We are now paying dearly for our failure over the past decade to see that the gold and dollar reserves were built up to a figure in keeping with possible calls at times when sterling is under heavy pressure. Perhaps there is now the contrary danger of overlooking that it is of the essence of reserves that sometimes they should be drawn upon. However that may be, the bookkeeping, or at least the published statements, of the custodians of the reserves are so lacking in any sense of accounting reality that misconceptions are bound to be caused. Only the first line of reserves is publicised and the fact, potentially a great reinforcement of confidence in sterling, that there are second and third lines—in the form of undrawn credits and investments held abroad—is hidden. And nothing is done to make it plain that when the reserves fall because foreigners are withdrawing loans from London, there is an offsetting fall in our external liabilities.

Measures are not to be taken, then, to push production, though it has been marking time for two years. And—a particular consequence of great moment—since public investment is now to be so large and since the disinflation is to go on, there is no scope to encourage investment in private industry. Thus investment allowances cannot be restored (though shipping receives selective treatment).

So the banks are to continue to be "tough" with their customers working on overdrafts and loans. The Capital Issues Committee is in future not only to decide whether the purpose of a projected bank advance for more than the short term is important enough to merit the raising of the funds, but may also pronounce that though they may be raised they may not come from the bank, so forcing the borrower into the capital market, or that the bank may lend only pending entry into that market. On the side of interest rates, it is true that a declining trend is not ruled out—but only because the Treasury has belatedly realised that lower interest will bring large savings in the servicing of the National Debt without necessarily adding anything to the inflationary potential. In the present conditions of regulated finance. The welcome inquiry by the new Radcliffe Committee into the workings of the financial and monetary system will perhaps help to put into its rightful place both the rate of interest and the commonly accepted theory of the rate.

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It is becoming more usual to insure the credit risk. The types of policies available, in the private market for the home trade, and partly in that market but mainly from the Export Credits Guarantee Department for the external trade, are examined.

Insuring Against Bad Debts

[CONTRIBUTED]

A SIGNIFICANT FEATURE of the post-war economy has been the steady advance of credit insurance. The annual value of insured turnover is now in the region of £1,500 million, divided roughly equally between home and export sales. In 1947 it was about £300 million. Certainly part of the increase represents higher prices, but there has clearly been a great expansion in the volume of business insured. At the same time, there is now a much greater spread. In the home trade, credit insurance before the war was confined to comparatively few trades and was largely on "specific account"—only individual risks being insured. Today, while the timber and textile trades remain the largest markets, there are few trades that are not making some use of the facilities, and the trend is towards "whole turnover" cover, the automatic insurance of all credit sales.

The credit squeeze and higher interest rates have made things difficult for under-capitalised concerns, and failures amongst marginal businesses have increased in recent times. In many trades credit terms have lengthened and with liquidity generally at a low level the possibility of bad debts has tended to look more real. These are circumstances in which the demand for credit insurance increases. Yet post-war experience shows that the growth of credit insurance is not due only to business nervousness. It also indicates readier acceptance of the idea of a comparatively modern form of insurance. It has for long been normal to insure against every contingency at all stages from raw material to manufacture and delivery to the ultimate buyer. At that last stage only, when the goods are converted into a book debt in the seller's ledger, they are often left completely unprotected by insurance. But it is now becoming recognised that insuring the book debt is the logical step completing the cycle.

No doubt the conditions of trading in the post-war period hastened the acceptance of the principle of credit insurance. The seller's market gave many small concerns

the opportunity to expand, and a large number of new ones were started to take advantage of the easy conditions. Many were undercapitalised and relied on a quick turnover to pay their way—as became apparent, for example, in the crisis in the woollen trade in 1951. High taxation and rising costs of stock replacement, later aggravated by the credit squeeze, put many businesses in a comparatively illiquid position, in which they were particularly vulnerable to losses by bad debts. A known and comparatively modest expense by way of insurance premium seemed preferable to the possibility of unpredictable losses.

Exporters were confronted with various risks of a political nature, risks which were not only beyond their control, but were often unforeseeable. Governments frequently took drastic steps to protect their disrupted economies. An embargo on the transfer of currency or the imposition of import quotas could involve exporters in serious loss. While not all political risks were insurable, a credit insurance policy relieved exporters of many anxieties.

Insurance of Home Trade

Credit insurance at home is undertaken only by private enterprise. For long there was but one insurance company underwriting the business, the *Trade Indemnity Co., Ltd.*, but since the beginning of this year a newly-formed company, the *Credit and Guarantee Insurance Co., Ltd.*, has also been operating.

Insurance in the home trade (and the small part of the export trade insured by private enterprise) covers only losses to the supplier resulting from insolvency on the side of the other party in respect of goods sold and delivered, work done or services rendered. As defined by the policy, "insolvency" has a wider application than the generally accepted legal definition; further, even though insolvency as defined does not occur, failure by a buyer to pay an account within ninety days of the due date or

the extended due date, termed "protracted default," can justify a claim. The expression "extended due date" refers to the right of the insured under the policy to allow extensions of credit to buyers, normally not for more than ninety days, and, in effect, is deemed to be the date on which the insured advises the insurance company of the circumstances of default.

Payment of claims is made within thirty days of the insured's debt being admitted to rank in the insolvent estate, but with protracted default there is a maximum period of six months after the event, a period allowing the insurer time to attempt recovery of the debt from the buyer.

On the principle that the insured must retain an interest in each debt the percentage of loss paid is never 100 per cent. Normally it varies between 75 and 85 per cent., according to the nature of the risk.

Types of Policies

The standard policy is the whole turnover policy. As its name implies, this policy covers all credit sales made by the insured during its currency, usually one year. The only sales excluded from the cover are those to government departments, nationalised undertakings and municipal authorities, which cannot become insolvent, and to associated companies of the insured.

Under the policy the insurer usually agrees to a "discretionary limit," a figure up to which the insured can allow credit to any buyer at his own discretion, credit in excess of that figure requiring the approval of the insurer. Although it does not act as an enquiry agency, the insurance company is in a unique position for the assessment of credit ratings, and its advice is highly regarded. Nevertheless, the insured may if he wishes exceed the approved credit limits, but the excess would be at his own risk.

The whole turnover policy is particularly suitable for the business with a comparatively limited spread of accounts and a reasonably high unit of credit—circumstances in which any bad debt is liable to be of serious dimensions. In distinction, the business with a large number of small accounts—for example, a manufacturer of low-priced articles selling direct to the retail trade—would incur serious losses only through the simultaneous failure of a number of customers. The risk is here much better spread, and straight whole turnover cover would probably not be economic. A whole turnover policy carrying a first loss appropriate to the circumstances with a correspondingly reduced premium rate might, however, be suitable. It would protect the manufacturer against either a trade slump that might affect his customers generally, or isolated failures of his bigger customers.

Various special forms of policies have been devised to meet the requirements of individual insured, and it is possible to cover most transactions involving short-term or medium-term credit. Thus, one can insure accounts that are specifically selected for the insurance because of the nature of the business being transacted, or one may insure against loss of moneys paid to a supplier in anticipation of delivery of goods or performance of work.

Premiums

The rate of premium varies according to the nature of the risk. Such matters as the type of trade, the average period of credit allowed and the general standing of the insured's buyers would be taken into account in assessing the premium under a whole turnover policy, while the rate for a special policy or a specific account policy would depend largely on the nature of the particular transaction or transactions. As a rough guide, premium rates under whole turnover policies might vary between, say, 2s. 6d. and 10s. 0d. per cent. of insured turnover, but higher or lower rates would apply in particular circumstances.

Export Credits Policies

Export credit is largely insured with the *Export Credits Guarantee Department*, a government undertaking. Its policies are specifically designed for the needs of the exporter, but, broadly, are similar to those insured by the private insurers in the home trade. The main difference lies in the nature of the risks covered. In addition to the normal commercial risk from the insolvency of buyers, losses from any of the following causes may be recouped:

- (1) Exchange restrictions or difficulties preventing transfer of currency to the United Kingdom.
- (2) The occurrence of war, civil war, rebellion, and so on, in the buyer's country.
- (3) The incurring of irrecoverable extra delivery charges as a result of diversion of voyage.
- (4) Any other cause of loss arising outside the United Kingdom beyond the control of the exporter or his buyer.
- (5) Within the United Kingdom, the cancellation or non-renewal of an export licence, or the imposition of restrictions on the export of goods.
- (6) Refusal by a buyer to accept goods (a limited cover against this risk, previously uninsurable, has been recently extended by the Department).

There is no cover, however, against losses arising from the fluctuation of exchange rates.

Types of Policies

There are two standard policies, corresponding to the whole turnover policy of the home trade: they are the comprehensive guarantee and the comprehensive guarantee (shipments). Cover under the first guarantee starts from the date of contract and under the second from the time the goods are shipped. Both insurances are intended to cover all the exporter's sales during the term of the policy, but exceptions may be made if special circumstances warrant the exclusion of certain markets.

Special policies can be drafted to meet individual requirements—for instance, on contracts for capital goods, which usually involve large sums and a long period of time. The sale by a British merchant of goods shipped from one country abroad to another ("external trade") can be covered by special policies, but no cover would be granted on manufactured goods or on goods sold at the expense of direct exports from the United Kingdom.

NOW— still better export credits cover

Since April 1st the insurance policies of the Export Credits Guarantee Department for business on terms up to two years credit have covered *more* risks and a *greater percentage* of major losses. And provision has been made for *earlier payment* of claims. This fuller cover and earlier payment reduce the extent to which an exporter need be 'out of his money'—and enable him to finance further enterprises which he might otherwise have to forego.

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For more details of E.C.G.D.'s better export credits cover, write for descriptive literature.



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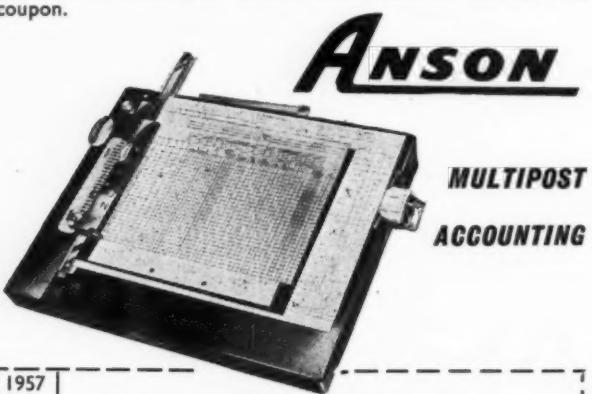
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|---|--|---|
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| <input type="checkbox"/> Cash Book and Receipts | <input type="checkbox"/> Purchase Ledger | <input type="checkbox"/> Other applications |
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It is not easy to give a good indication of the rates of premium payable, since they are fixed separately for each country. However, the average rate received by the Department in recent months has been 9s. 3d. per cent.

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There should be mentioned an aspect of credit insurance

that is receiving much attention in current conditions. It is the arrangement by which the interest in policies, or in specific transactions, can be assigned by the insured to a bank to serve as additional security in the negotiation of advances or of discounting facilities. The assignment is often suggested by the bank. While the endorsement of the policy by the insurer is necessary, the facility is ancillary to the policy and there is no question of any finance being arranged by the insurer.

Five Thousand Years from the Abacus

A Tabular Guide to Adding and Accounting Machines

by *David Harris, M.A., A.C.A.*

ALL THESE MACHINES sell. So all of them may be taken to be best suited to some job or other—because of a particular point or points of performance, or because of suitability for jobs of a certain kind, or because of price, or because of quality. The purpose of these notes is to provide a rough guide on some of the more easily comparable features of performance and of price.

Practically all the accounting machines differ from one another in matters of performance.

Limitations of the Comparison

1. Delivery dates have not been shown, because they change by so much so quickly.
2. Electronic computers and electronic equipment used with punched card machines are not within the scope of the guide, which is intended to cover machines that could be used by small and medium sized businesses, as well as large.
3. None of the lists is intended to be exhaustive. In particular, models given under heading IV are intended only to indicate in a rough way where adding and accounting machines finish and calculators and analysers start. Heading IVA specifically does not include machines that need to be operated by more highly-trained operators (that is, the key-driven type of calculator such as those produced by Burroughs, Comptometer and Sumlock).
4. Prices are liable to change (both upwards and downwards) by quite large amounts in a short time. The prices shown are the approximate prices at the time of

going to press, but some may possibly have been changed in the meantime.

Note on Keyboard

The following makers use the multiple keyboard (a vertical row of keys for each digit). Alphabetically:

Adwel
Block and Anderson (Victor)
Bulmers' "Addo"
Burroughs
National Cash Register

The following makers use a small keyboard (only one key for each digit):

Brunsviga (except £33 model)
Bulmers' "Addo-X"
Mercedes
Ohdner
Olivetti
Remington Rand
Underwood

General

In my opinion there is still much further scope for the application of adding and accounting machines in this country.

These notes are intended only as a rough guide. Just as a guide-book serves to give some general background knowledge about buildings or works of art, so it is hoped that these notes will act as some initial indication of the services provided by the many different types of adding and accounting machines. Much fuller information on any given machine or range of machines can be obtained on application from the makers.

I. LARGE ACCOUNTING MACHINES
With Four or More Registers

Maker	Model	Approximate Cost	Number of Registers	Whether with Typewriter Keyboard	Time Taken to Make a Major Change-over to a Different Job (that is, to Make a Change of "Set-up")	Notes
Burroughs	Sensimatic 500	£2,480	19	See below	Instantaneous to 4 different set-ups *	
do.	do. 400	£1,690	9	" "	do.	
do.	do. 300	£2,030	11	" "	do.	
do.	do. 200	£1,450	5	" "	do.	
Mercedes	S.R.22	£1,100 to £2,000	Either before or after installation can be fitted with 1 or 2 cross registers and up to 18 sterling vertical registers (or 25 numerical vertical registers)	Yes	2 or 3 minutes	
do.	S.R.42			Yes	2 or 3 minutes	
National Cash Register	Class 31	£2,025 to £2,350	10	Yes (but without if desired)	Few seconds	Fluid drive carriage makes operation very smooth
do.	Class 32	£1,225 to £2,250	4, 6 or 10	Yes (ditto)	Few seconds	
Remington Rand	Foremost	£1,300 to £2,200	Either before or after installation can be fitted with 1 or 2 cross registers and up to 18 sterling vertical registers (or 25 numerical vertical registers)	Yes	A minute or two	
do.	124	£750	Up to about 16 down and one crossfooter	Yes	do.	No automatic balance
Underwood	Sunstrand D.	£1,500	10	No	Instantaneous to 3 different set-ups *	
do.	do. C.	£1,250	5	No	do.	
do.	Elliot Fisher Universal	From about £1,200	Can be fitted with many registers	Yes	Varies up to 2 or 3 minutes	Types downwards on to a flat platen

* Further changes can be made quickly by the operator.

FURTHER NOTES

1. Burroughs Typewriter Accounting Machines

Burroughs make also a "typewriter accounting machine," not so automatic in tabulation as the Sensimatics. The range is wide (with 3, 6, 10, 15 or 20 registers) and the price range is from £1,480 to £2,370. "Decimal typewriter calculator machines" with 4 or 8 registers are also available costing £1,130 to £1,830.

At the time of going to press an optional typewriter keyboard was about to be added to the Burroughs Sensimatics. Details (including extra cost of typewriter keyboard) are not yet available.

2. Main differences between the same makers' models

Mercedes

S.R.22. Totals and balances are read off by the operator.

S.R.42. Totals and balances are read off automatically (the S.R.42 is therefore slightly more expensive) and *all* totals are printed automatically.

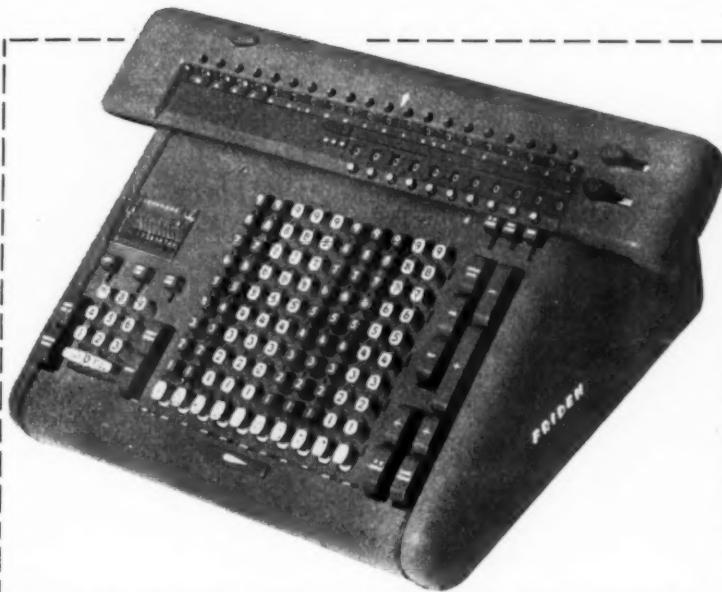
National Cash Register

Class 31. Registers can be selected from the keyboard.

Class 32. Registers cannot be selected from the keyboard.

Bulmers

**ALL MACHINES BACKED BY AN EFFICIENT
COUNTRY-WIDE AFTER-SALES SERVICE**



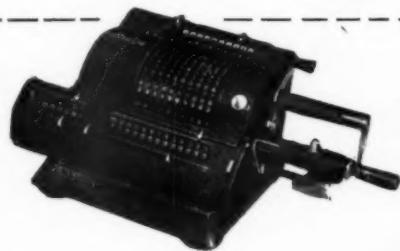
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The unique dual-purpose machine

NUMERIA STERLING CALCULATOR

The only rotary calculator with Sterling Keyboard. Will multiply, add and subtract in sterling without the necessity of decimalising. Also divides and multiplies in decimals. Hand model, £100; Electric Model, £130. Decimal Models are also available for Hand and Electric operation from £70.



A range of 5 models
from £35.

THE MIGHTY MULTO

For one-hand operation, all the controls being operated by the right hand only. It adds, subtracts, multiplies and divides. Available with back transfer and tens transmission.

Bulmers

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Bulmers
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**THE MOST COMPREHENSIVE RANGE OF
ADDING AND BOOK-KEEPING MACHINES**



ADDO-X 6347E

ADDO-X**BOOK-KEEPING MACHINES**

Incorporating the "Feather Touch" Keyboard—the use of a single operating key provides AUTOMATICALLY:—

Date, pick up of old balance, Addition, Subtraction, Sub-Total, Total, Non-Add, Non-Print, Whole Numbers, Spacing Stroke, Tabulation, Carriage Return, Red Print for Credits, Black Print for Debits and Repeat Print of amounts or numbers (from Journal Sheet to Ledger Card). The Automatic Carriage Return presents an entirely new type of simplified construction and change of control for different application is a matter of seconds.



ADDO-X 247E



ADDO 210E

The New Duplex ADDO-X

with the renowned "Feather Touch" for Left or Right Hand operation. With the simplified keyboard, touch operation is a matter of practice. Automatically accumulates totals in storage register with unique features. Interlocking keys ensure maximum speed with safety! Fast and silent.

ADDO DUPLEX

for Hand or Electrical operation with sub-totals, totals, subtraction, non-additive key, repeat key and "carry over", giving totalling in excess of keyboard capacity, with "Storage Register" enabling Grand Totals to be obtained at the touch of a key. Ideal for wages, costing, and analytical work. Without doubt, the finest machine in the ADDO range.

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II. SMALLER ACCOUNTING MACHINES
With Three or Four Registers (with automatic carriage return)

Maker	Model	Approximate Cost	Number of Registers	Width of Carriage	Whether with typewriter keyboard	Method of changing to a different job
Remington Rand	224	{ £925 £770	{ 4 3	17 in. or 24 in.	Yes (but not electric)	By changing form bar

With not more than Two Registers

A. With automatic carriage return

(1) *Continuation of Makers' Class Lists of Machines in I.*

Burroughs	Sensimatic 100	£1,050	2	15 in., 18 in. or 22 in.	See last note to I.	4 position control knob. Additional panels available
do.	do.	50	£840	2	15 in.	do.
Underwood	Sunstrand E.	From £720	2	18 in. or 24 in.		Interchangeable control plate

(2) *Other Machines*

Bulmers' "Addo-X"	7000 (Available June) do. 6000	£500 £330	2 1	15 in. No 15 in. No }		By turning the bar—4 positions
Burroughs	Director 600	{ £500 £430	{ 2 1	15 in. No		By changing control bar
National Cash Register	158	£525	2	15 in. No		By changing form bar
Underwood	Sunstrand Postmaster 92 (Available shortly)	Not Available	2	13 in. or 18 in. No		By changing control plate

B. Without automatic carriage return

Bulmers' "Addo-X"	5000	£225	1	15 in. No		By turning the bar—4 positions
Burroughs	Director 600 (P651)	£350	1	15 in. No		By changing control bar
National Cash Register	58 EN	£385	2	12½ in. No		By changing form bar
do.	17 EN	£285	1	12½ in. No }		
Underwood	Portable Accounting Machine	£370	1	18 in. No		Interchangeable control plate

III. ADDING MACHINES

<i>Make or Maker</i>	<i>Model with addition only</i>	<i>Model with addition and subtraction</i>	<i>Electrical Models</i>	<i>Duplex models, i.e. with 2 registers</i>	<i>Whether listing as well</i>	<i>Notes</i>
Adwel	From £42	From £49	From £80	—	Yes	
Block & Anderson (Victor)	—	From £63	From £115	—	Yes	
Brunsviga	—	£33	£108	—	Not on £33 model	
Bulmers' "Addo" and "Addo-X"	—	From £55	From £87	£95	Yes	Wide range
Burroughs	From £49	From £62	From £104 From £108 (with subtraction) (Burroughs' electric machines can also be operated by hand)	(1) From £154	Yes	Wide Range
Contex	£20	—	—	—	No	(3) There are only 5 keys in each column
National Cash Register	From £57	From £70	From £95 From £108 (with subtraction)	From £223	Yes	Wide range of machines equipped with "Live Keyboard" feature; the keys themselves being motorised
Ohdner	—	—	£95	—	Yes	Model with tabulating carriage £147 10s. 0d.
Olivetti	—	£68	£99	—	Yes	Model with tabulating and automatic return carriage £230
Underwood Sunstrand	—	From £77	From £113	(2) £325	Yes	Wide Range

NOTES:

(1) For £265, a 13 column machine may be obtained which can be in effect a "double duplex"—that is, both quantity and value can be computed simultaneously in both of the registers, by "splitting" the keyboard. (A duplex model with a 15 in. automatic tabulating and return carriage is also available.)

(2) This machine, the "statistical tabulator model," has a 13 in. carriage which tabulates automatically, and shuttles between several positions.

(3) Therefore two keys have to be pressed to register any digit higher than 5.

An Information Service For Professional Accountants

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E. C. LAVALETTE: 237-8 Broad Street Birmingham 1 · Midland 8091

G. RAINFORD: 89 Oxford Street Manchester 1 · Central 7058

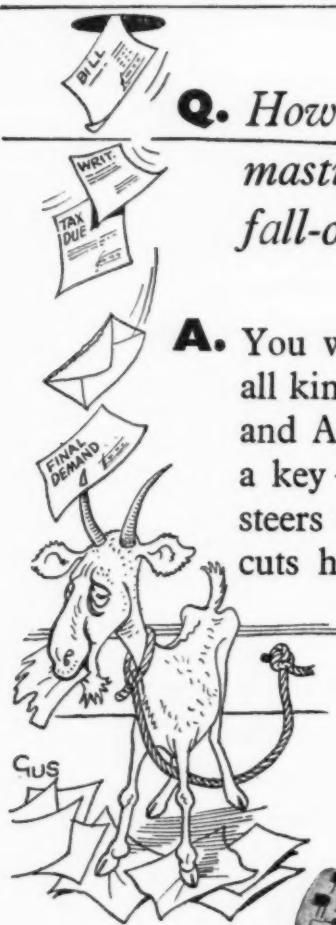


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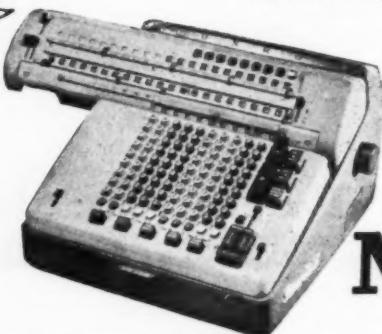


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IV. SOME ALLIED MACHINES

A. Some Calculating Machines

Type	Typical make/maker	Cost	
		Hand operated	Electric
Calculator only:			
1. Wind handle barrel type	'Britannic', (-) Brunsviga, (x) Bulmers, Hamann,	(x) From £35	(-) From £109
2. " " with small keyboard	(x) "Original-Ohdner", etc. Facit—sold by Block & Anderson	From £97	£230 (Fully automatic)
Adding and Calculating Machine:			
1. Small keyboard with printing	Remington Olivetti	—	£250 £209
2. Multiple keyboard type without printing	Friden—sold by Bulmers Madas—sold by Muldivo Marchant—sold by Block & Anderson Monroe	From £95	£195-£395 £135-£493 — £295-£430
		From £85	From £145

B. Some Analysing Machines

Maker	Approximate Cost	Whether with moving carriage	No. of down Registers	No. of Registers which can be selected simultaneously	Whether Subtraction in the registers is possible
Logabax	S.200 Statistical Machine	£3,300	No	198	Yes
do.	Accounting and Analysing Machine	£4,000	Yes	198	Yes
National Cash Register	Single Stage Direct Analyser	£1,860	No	30	No
do.	Other Class 2,000 machines (such as Utility Billing and Receiving Machines, Ledger Posting Machines, and so on)	Varies. Machines built to specification	No		Yes

C. Punched Card Machines

The cost of an installation varies enormously according to its complexity generally and in the first place according to the size of the card required. (One vertical column is, of course, required to punch each digit recorded—for example, to punch £153 6s. 8d. a "field" of 5 vertical columns is required.)

Powers-Samas' smallest card is the "Powers-1", consisting of 21 vertical columns. A very small installation of "Powers-1" (2 punchers, 1 verifier, 1 sorter, 1 tabulator) costs £3,600. The same very small installation with a 40 column card would cost approximately £6,000-£7,000. These machines can be obtained on rentals of from approximately £45 per month and £85 per month respectively. (Minimum period 2 years.) The "Powers-1" will only punch numerals. Other installations referred to are alphabetical as well. At least the 40 column card would be required for a wide pay roll. Powers-Samas also produce cards with 65 and 80 columns with 2 positions available in each column, giving in effect the equivalent of 130 and 160 columns respectively.

Hollerith (British Tabulating Company) concentrate on 2 card sizes with 38 and 80 columns respectively but produce a considerable range of tabulators and ancillary equipment capable of handling either one or both of the card sizes. Prices vary according to the specification of the machines necessary to undertake the particular work: a very small installation of 38 column card equipment costs from £100 per month to rent. Arrangements can be made for those wishing to purchase Hollerith equipment.

I.B.M. concentrate on one card size of 80 columns. They produce a considerable range of tabulators and ancillary equipment: a very small installation costs from £100 per month to rent.

I.B.M. and *Hollerith* machinery are very similar to each other, presumably for the historical reason that up to 1949 Hollerith used to sell *I.B.M.* equipment in this country. For instance, they both favour the electrical sensing of cards rather than the mechanical system preferred by *Powers-Samas*: also they both use the somewhat more adaptable "plugboard" rather than the "connection box" which *Powers-Samas* use. If necessary (as in an emergency) the machines can be put to a different use by changing the position of the plugs, instead of changing the board as would normally be done.

Accountant at Large

In Defence of Distinction

ONE SEEMS TO remember that somewhere in the U and non-U debate it was suggested that anyhow only the non-U could take part in it, discussion of class distinctions not being a U habit. Even if the observation were true, and not merely a pleasant dig at the lady who first popularised the debate, it would presumably leave us free to discuss such matters here, for accountants are for the most part proudly middle class—upper middle class if you like, middle-middle if you prefer it, but certainly laying no claim to U-dom.

Class is out of fashion in these mixed and vexed times. There is, indeed, a certain logic in the argument that no man should miss the best in life merely because he talks of Mrs. Heginbotham when you would prefer him to say "my wife"; and there may be a certain irritation when you meet on occasion the icy chill of a public school snub. Do they not order things better in the United States—or in Russia? And even as you ask the question you are brought up short: if report is to be believed those two great countries, gazing at each other across the Pole and each underpinned in its own manner with ideas about equality, have both modified the pure doctrine to an extent that might suggest that Class is something very like a law of nature. In Britain we have seen changes indeed in our generation, changes important and far-reaching; but the structure built through a thousand years of evolution has after all not been fundamentally altered, fashionable beliefs notwithstanding. And, the moment of heresy past, one ponders again the strangely practical wisdom of the British genius.

The egalitarians fall into confusion through mistaking Class for a Cause when it is plainly an Effect—the effect of the natural disparities (the dreadfully inequitable disparities) in men's physical and mental endowments. Men are born free and equal, by all means; but some are more equal than

others, and there is much work to be done on the race before that gloss becomes out-dated. Idealists further confuse themselves by mixing Class up with all sorts of parallel but distinct Effects, like Sweated Labour and Gilded Luxury. There are yet many, the levellers of our time, who are impatient for Utopia, and it is amusing to see how consistently they seek to do their levelling to their own rank, whatever that may be. It might fairly be inferred that in the eyes of X his own station in society is the ideal one.

But distinction can be defended more positively than by smiting its detractors. On purely utilitarian grounds, Class plays its part, with Money and Natural Selection, in spurring lazy mortality to competitive enterprise. We may not agree that "getting on" is a good thing, we may prefer a vegetable contentment to an animal urge to conquer, but if so we have most of history and most of biology against us. Keeping up with (and surpassing) the Joneses is in fact an aim in life—and not a wholly despicable one.

In Britain we have a peculiarly complicated interweaving of classes, and we are interested in Class as we would be in any other rather involved game. We understand the rules and we know (most of us) that it is not at all difficult to move up, or down, in the social scale. Two generations can make a power of difference; three or four generations in any family can hardly fail to demonstrate this social fluidity (and four generations require the identification of sixteen great-great-grandparents: try that on your family-proud friends!). We can afford to do without Revolution when we can "get on," if we want to, through quieter channels.

And Class as we know it is very British. It can be likened to a system of clubs: the members of each club know and like one another, with some reservations, and membership of the same club is on the face of it evidence

of at least a minimum of common interests. In the wilderness of the world clubs are cosy things; they give us landmarks, and confidence, and protection. One can be a member of several clubs, and indeed, in this context, everyone is. So we go on, impenitently classifying: by schools, by incomes, by parents, by clothes, by table (and other) manners, by habits of speech. The tests change imperceptibly: "serviette" gives place to "napkin", a fine word like "lady" becomes one to be used only with great care, aitches come and go and one does (or does not) call oneself Mister. "He called himself Mr. Brown," said an accountant friend of long ago: "Thought I'd mistake him for Lord Brown . . ." But the O.E. himself will describe himself as Mister when he is talking to one clearly lower than himself in the social or business scale; and (whisper the thought) perhaps only the good State-aided school product insists on calling himself always "Brown."

It all adds enormously to the variety and picturesqueness of life. And the reformer has plenty to do before he need bother about the classless society. He can struggle to give new values to those who now have none but Class (they include social snobs of both sorts, in W.I and E.I); he can strive to remove from human nature the evil that abuses the power of Class in oppression or humiliation; he can even try to inject a sense of humour into those who, having it not, get hot and bothered about snobbery. For snobbery, that nasty word, is loosely applied to some very human and not unlovely sentiments. Mrs. Thirkell's novels, for instance, have been accused of it; but they are charming still, and it is very hard, even for the outsider looking in, to give any good reason why she should not be fond of the society she and Jane Austen have written about. *Men Like Gods* described quite another society, classless and clothesless too; and a very beautiful society it was. But the men in it had been considerably improved while the levelling had been taking place. Here and now we may well prefer our infinite variety.

Taxation

The Budget

NO CHANCELLOR EVER paid the slightest heed to the troubles of accountants or examination students! At the same cost as taking a few pence off the standard rate, the division of £98 million of tax reliefs has added disproportionate "bits and pieces" to be learned.

The salient taxation proposals are as follows:

(1) *Earned Income Relief.* The relief is now to be two-ninths up to £4,005 (at that amount the relief will be £890) then one-ninth up to £9,945 (the maximum relief is therefore £1,550).

(2) *Child Allowance.* In the year in which the child reaches the age of 12 the £100 allowance is to be increased to £125, and in the year when it reaches 17 to £150. It will be remembered that a child over 16 will attract relief only if receiving full-time education or full-time training for a trade, etc. The limit on the child's income remains at £85.

(3) *Age Relief.* Single persons aged 65 or over whose total income does not exceed £250, and married couples, where either spouse is aged 65 or over, whose total income does not exceed £400, are to be exempt from tax. If the total income slightly exceeds these amounts, the tax will be limited to one-half of the excess.

The income limit for age relief is raised from £600 to £700. Unless the rate on the "margin" is increased marginal relief will not operate at such a high level as hitherto.

(4) *Oversea Trade Corporations.* As promised last year exemptions are to be given from both income tax and profits tax of the trading profits, until distributed as dividends, of companies carrying on all their trading overseas but controlled or managed in the United Kingdom. Profits tax will not be attracted even on distribution, unless the recipient is a United Kingdom company. The companies envisaged are those wholly engaged overseas in mining, oil boring, agriculture, manufacture and processing, public utilities and distribution. Shipping is not included. We must await the Finance Bill for details but the Chancellor said that banking and insurance were outside the underlying conception of the scheme. It was necessary to be careful that there was no suggestion of an export subsidy: to qualify for relief as oversea trading corporations concerns dealing in United Kingdom goods must buy them "free on board" at a United Kingdom port at the price appropriate to a transaction between independent persons. Mixed concerns will have to "hive off" the oversea business into a separate company. The legislation will be "long and complicated." (Heaven help us when we start from there!)

(5) *Investment Allowances.* Capital expenditure on the construction of ships incurred after April 9, 1957, will carry an investment allowance of 40 per cent. instead of 20 per cent.

It is proposed to remedy retrospectively as respects past years as well as for the future a defect in the law whereby an investment allowance or initial allowance might in some circumstances be given twice over for the same machinery or plant. This could arise in certain instances if expenditure was incurred by more than one person on the asset in question.

(6) The Chancellor announced that in the Finance Bill there will be several "relatively minor adaptations" of the tax code, among them the temporary freezing of Schedule A liability in Scotland and Northern Ireland, and a provision dealing with the person to be charged under Schedule A where flats are let in consideration of capital premiums. The latter is evidently the result of the decision in *Gatehouse v. Wise* (1956) T.R. 369; the former is to amend the tax payable on Schedule A assessments as a result of the recent revaluation for rating, as affected by (in Scotland) the deduction of owners' rates and (in Northern Ireland) the assessments being based on rating valuations. We must await the Bill for details.

(7) Payments granted out of the House of Commons Members' Fund are to be charged under Schedule E.

(8) *Surtax.* The starting point of the rates of surtax is to remain at £2,000 for 1956/57, but a married man is to be allowed to deduct from his total income in arriving at that amount the excess of the married personal allowance (£240) over the single personal allowance (£140), i.e. £100, the child allowance, housekeeper allowance and dependant relative allowance. The new earned income limits do away with the violent jump in effective rates where surtax begins.

(9) *Profits Tax.* This will be amended to authorise changes (including changes for past chargeable accounting periods) which may result from:

- (a) amendments as to allowances, deductions or charges for income tax purposes;
- (b) amendments regarding profits tax to afford special relief for companies operating overseas and companies with oversea subsidiaries;
- (c) deduction of certain interest from the profits of the South of Scotland Electricity Board.

(10) *Estate Duty.* It has at last been decided to eliminate the loophole in the five-year period in respect of gifts *inter vivos*—what the Chancellor described as "the disappearing trick." Hitherto it has been possible to give away short-dated Government and other securities, which, when repaid, ceased to exist, so there was nothing to value on the death of the donor within five years of the gift, yet the donee had the value. Similar results could be obtained by giving shares in a company, which was then liquidated, and in other ways.

The treatment of retirement annuities for estate duty purposes is to be reviewed.

Budget Estimates, 1957/58

A.—ORDINARY REVENUE AND EXPENDITURE

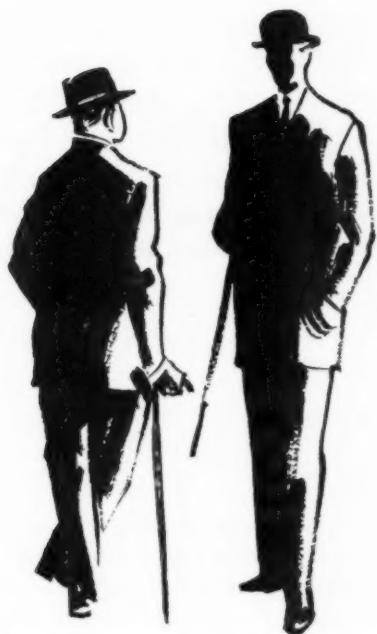
*In addition £175 million for Interest on the National Debt will be met from receipts under various Acts authorising such application.

[†]This represents the net saving expected to accrue in 1957-58 from the receipt of £20 million from the National Health Service contribution announced on February 19, 1957, and the additional cost of the Agricultural Price Review (£10 million).

B.—SELF-BALANCING REVENUE AND EXPENDITURE

Post Office Revenue required to meet Post Office expenditure £000 £307,604

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1956/57 Outturn and 1957/58 Budget Estimate

(after 1957/58 taxation changes)

REVENUE	ABOVE THE LINE		EXPENDITURE	£ million	
	1956/57 Outturn	1957/58 Estimate		1956/57 Outturn	1957/58 Estimate
Inland Revenue	2,705	2,811	Interest on Debt	711	640
Customs and Excise	2,101	2,117	Sinking Funds	37	38
Motor Duties	91	93	Northern Ireland	66	69
			Miscellaneous	10	10
TOTAL TAX REVENUE	4,897	5,021	TOTAL CONSOLIDATED FUND SERVICES	824	757
Post Office (Net Receipt)	4	20	Supply: Defence	1,525	1,420
Broadcast Licences	28	31	Civil (including Tax Collection)	2,519	2,650*
Sundry Loans	33	32	TOTAL SUPPLY	4,044	4,070
Miscellaneous	196	185	TOTAL EXPENDITURE	4,868	4,827
TOTAL REVENUE	5,158	5,289	SURPLUS	290	462
	5,158	5,289			

RECEIPTS	BELOW THE LINE		PAYMENTS	£ million	
	1956/57 Outturn	1957/58 Estimate		1956/57 Outturn	1957/58 Estimate
Interest outside Budget	147	175	Interest outside Budget	147	175
Export Guarantees—Repayments	2	5	Export Guarantees	5	7
Housing receipts from Votes	7	7	Post-war Credits	17	17
Local Authorities—Repayments	42	48	Excess Profits Tax Refunds	1	—
Post Office capital repayments from Votes	3	6	War Damage	25	22
Film Corporation—Repayments	1	1	Scottish Special Housing	5	6
Raw Cotton Commission—Net repayments	2	—	Armed Forces—Housing	6	6
Nationalised Industries (other than National Coal Board)—Repayments	—	14	Loans to Local Authorities	109	100
New Towns—Repayments	1	1	Loans to Northern Ireland Exchequer	1	3
Town and Country Planning Acts—Repayments	8	5	Loans for New Towns Development	32	33
Potato Marketing Board—Repayments	—	3	Post Office capital expenditure	79	75
Anglo-Turkish Armaments Credit—Repayments	1	1	Loans to Film Corporation	1	1
Other repayments	1	1	Loans to Independent Television Authority	—	—
			Loans for Development of Inventions	1	—
TOTAL RECEIPTS	215	267	Town and Country Planning Acts—Compensation payments	17	2
NET SUM BORROWED OR MET FROM SURPLUS	621	587	Overseas Resources—Colonial Development	7	15
			Loans to Potato Marketing Board	3	6
			Loans to Sugar Board (net)	13	—
TOTAL RECEIPTS	5,373	5,556	National Coal Board—Capital expenditure (net)	25	45
			Loans to other Nationalised Industries	284	290
			Transport (Railway Finances)—Loans	52	50
			International Finance Corporation: Subscription	5	—
			TOTAL PAYMENTS	836	854
			TOTAL PAYMENTS	5,704	5,681

* See note † on previous page.

Compensation—Capital or Income?

II—TRADING CONTRACTS

THIS IS THE second and concluding article on the incidence of income tax on payments received in compensation for injury, personal or financial, from wrongful actions and breaches of contract. In the first article, which appeared in the issue for April (pages 165–8), attention was drawn to the consequences of the decision in the case of *British Transport Commission v. Gourley*, in which the House of Lords held in December, 1955, that in calculating compensation for loss of earnings through personal injury the award must take into account income tax that the person compensated would have paid on his lost earnings. This principle has been extended to cases of compensation for breach of contract by the premature termination of a person's employment. The deduction on account of income tax is made on the assumption that tax is not payable on the sum awarded by the recipient, and whether this assumption holds or not depends in turn upon other principles of income tax law. Compensation under a contract of employment is received tax-free if it is in genuine compensation for a unilateral breach of contract, but not if the termination of the contract is agreed upon by two willing parties.

Such was the scope of the first article. Consider now the circumstances in which other commercial compensation payments are received by the payee tax-free and are consequently reduced, like Gourley's award, on account of tax which he would otherwise have paid.

* * *

The two cases on tax on a compensation payment for breach of agreement, which were mentioned in the first article on this subject, both related to contracts of employment, or at least contracts for the services of a salaried official. They may be compared with the recent case of *Wiseburgh v. Domville* [1955] 1 W.L.R. 1287, which was confirmed in the Court of Appeal [1956] 1 W.L.R. 312. This was a case arising from a contract for personal services of a rather different kind—an agency agreement by a representative, terminated prematurely by the principal, a limited company.

Wiseburgh was appointed manufacturer's agent to a limited company under an agreement which, although planned to run for a number of years, was terminable on twelve months' notice. The company terminated the agreement without notice at a time, in 1948, when the agreement could have been brought to an end in October, 1949, by giving proper notice. The agent brought an action against the company for breach of contract, claiming commissions due to him under the agreement, and damages for the breach. The action was settled before

trial by the payment to the agent of the sum of £4,000, which was expressed in the terms of settlement to be damages for the breach of the agreement; on the advice of his Counsel the agent abandoned his claim to the arrears of commission.

A Difference Between Employment and Commercial Contracts

The Inspector of Taxes claimed that this compensation money, having been received in lieu of commission which would have been taxable in the agent's hands, should itself be taxable. The agent claimed, on the other hand, that the benefit of this agency agreement was a business capital asset that he had lost. His commissions from this company, he claimed, amounted to about half his total income, as he had only one other agency agreement in force at the time, and he had not been able easily to find other agencies.

The High Court held that the sum was subject to income tax in the hands of the agent. The argument that, by analogy with sums paid in compensation for wrongful dismissal, the sum should be received tax-free was rejected. Thus, it seems fairly clear from this case that the distinction made in the first article (between agreed payments and payments that can properly be regarded as damages) is valid only for contracts of employment, and does not apply to other commercial contracts for personal services.

The court in fact applied the ordinary commercial standards to the payment, and held it to be income rather than capital in the agent's hands. If this agency contract had been the sole source of Wiseburgh's income, said the Judge, it might have been possible to contend that the loss of the agency business was the loss of a capital asset. As it was, Wiseburgh had held a number of different agency contracts through the previous years and it was in the nature of his agency business that some agencies should terminate from time to time. The earning capacity of Wiseburgh himself, his profit-making structure, to borrow the commercial phrase, was not impaired by the change.

Two Lines of Attack

The Inland Revenue have been steadily attacking compensation, or agreed damages, in the hands of the commercial payee over a number of years, and they have been gaining victories in a minor way over a fairly broad front. Their contention may take one of two principal forms: they may take the line in *Wiseburgh's* case—and here

is a comparatively recent form of reasoning before the courts—that in the hands of the payee the compensation money is subject to income tax because it is directly received in place of an income that would have been taxable.

The alternative contention, an older one, is that in the hands of a trading enterprise, at any rate, the compensation money is often a trading receipt, because it is received in the normal course of trade.

The converse holds good. If a compensation award cannot be said to have been received in the normal course of trade—if it would on good accountancy principles be placed to capital account rather than to profit and loss account—then the sum is on normal taxation principles received free of tax. There is no definition in the Income Tax Acts of income or profits, so the courts have developed their own distinctions between income and capital receipts, which for the most part follow current accountancy practice.

Length of Notice

It will be observed that in *Wiseburgh's* case the agreement in respect of which the compensation money was paid could have been terminated in any event within a little over twelve months by giving notice. The amount of time the agreement would have had to run but for the premature termination appears to have been a powerful factor in influencing the courts in their decision whether a compensation payment should be regarded as income or capital and whether, therefore, income tax should or should not be paid on it. Most personal contracts provide for termination with not more than twelve months' notice, even if made for an indefinite period. It is thus difficult for the average taxpayer to claim more than twelve months' profits, whether commissions or salary, on account of damages for a breach; and there is a strong tendency to regard the compensation money as taxable if it is a compensation payment for loss of income in the current or succeeding year only.

Similarly, with trading enterprises, the Revenue have been quick to assert that compensation money should be regarded as an income receipt when it is received for the termination of a short-term agreement, or for the loss of an asset which it is in the normal course of the business of the compensated company to buy and sell, or win and lose.

A very good illustration of the principle, in which the Revenue have again been successful in their contention that the sum received was income, has just been reported from the Scottish courts, in the case *C.I.R. v. David C. MacDonald & Co.* [1956] T. C. 388. The facts of this case are somewhat similar to the facts in *Wiseburgh v. Domville*. A firm of engineers' agents acted for some years on behalf of a manufacturer of dies and castings, under an agreement terminable by twelve months' notice on either side. The manufacturer terminated the agreement without notice, and the agents claiming compensation, £1,000 was paid, and this sum once again was held to be an income receipt in the hands of the agents. Although the business of the agents had been severely curtailed by the loss of this one important agency, it could

not be said that their profit-making structure had been altered. The loss of one agency out of several is natural, and occurs in the normal course of events to an agency which makes a business of undertaking agency work for a number of different principals.

The Long-Term Contract

Commercial contracts of a more enduring kind may be made between limited companies for a period of years, with no provision for earlier termination by giving notice. A premium paid to induce the other party to enter into such a long-term contract would very properly be regarded by an accountant as a capital outlay, and the agreement itself might represent a capital asset, just as would a long-term contractual right to enter on land, for instance, and fell trees, or mine ores. It is thus fairly easy for the courts to concede the converse, and regard a compensation payment for the premature termination of such a long-term agreement as a capital receipt in the hands of the firm or company receiving the sum.

The cases in which the compensation money was held to be income may thus be contrasted with cases in which a similar payment on the premature termination of longer-term agency business was held to be capital in the hands of the compensated agency company. A shipping agency acted for a number of years for a shipping company under a series of agreements from 1924 onwards, the last of which was to have run until 1951. The shipping company went into liquidation in 1942, and by the terms of the agreement then current all further commission payments that would have been earned by the agency during the eight years in which the agreement was to have run became immediately payable. The total sum actually paid to the agency on the liquidation was some £16,000. The shipping company had provided almost the entire business of the agency, which on the liquidation reduced its staff and moved into smaller premises. The whole structure of the agency company had been altered by the loss of its principal business, and the compensation money actually received would scarcely, on good accountancy principles, have been credited to current receipts for the year. (*Barr, Crombie & Co. v. C.I.R.* (1945) 26 T.C. 406.)

The Profit-Sharing Agreement

These cases on agency contracts may be compared in turn with the leading case on the subject, *Van den Berghs Ltd. v. Clark* [1935] A.C. 421, in which the House of Lords some thirty years ago held that a payment of nearly half a million pounds between two large companies was a capital receipt. An English manufacturing company and a Dutch manufacturing company had operated a profit-sharing agreement from the beginning of the century, but payments were interrupted by the first world war and the computation of the accrued sums due led to prolonged disputes. Eventually, since it became impossible to envisage an end to arbitration proceedings for determining the sum due, the two companies agreed to terminate the contracts.

The Dutch company paid to the English company the

sum of nearly half a million pounds, which was almost exactly the sum claimed by the English company for the accrued share of profits. The Inspector of Taxes claimed that this sum should be treated in the books of the English company as an income receipt, but the House of Lords eventually favoured the contentions of the company that it should be regarded as capital. Although the sum appeared to have been computed and paid as a discharge of accrued liabilities from the Dutch company to the English company, the argument before the courts proceeded on the basis that the payment was the consideration for the release by the English company of the future obligations of the Dutch company under the agreement, which at the time of its cancellation had still some ten years to run.

Distinguishing Principles

There are two ways of distinguishing this last decision from those declaring payments to be income receipts. One way is to look at the profit-sharing agreement of the English company as a capital asset in its hands—to take the payment for the discharge of the agreement as representing in capitalised form the future profits for a prospective period of ten years beyond the date of the cancellation of the agreement. An alternative way of looking at the payment is to say that it concerns the structure of the profit-making apparatus of the company, rather than the trading assets in which the company dealt.

An agency company deals in agencies, and the loss or acquisition of one of these agencies is regarded by the courts as a normal trading incident. A manufacturing company does not deal in profit-sharing agreements, and the formation or discharge of such an agreement is a matter affecting the profit-making structure of the company, rather than its stock-in-trade or its current or day-to-day acquisitions.

If this figurative approach is of little assistance in any particular instance, it may be of some help to consider the operation in reverse: to consider whether a prudent accountant would regard the paying-out of a sum for the acquisition of rights, similar to those which have been lost, as an item of capital or current expenditure. A payment made for the acquisition of an agency agreement terminable within a year would almost certainly be properly regarded as an item to be written-off in the books during the year in which it was incurred. On the other hand, the premium for rights under an agreement for a minimum period of, say, seven years, might well be placed to capital account, even though it would ultimately be written-off against profits within the following seven years.

In taxation matters the courts have often been driven to draw arbitrary lines, because of the obscure wording of some charging provision in a taxing statute. In this matter of compensation payments, however, there is no arbitrary wording to consider, for the whole question depends upon the interpretation by the courts of the meaning of the words "capital" and "income." It has paid the Inspectorate to argue for one interpretation in one set of circumstances (as when the computation of a standard year for purposes of the Excess Profits Tax makes it to the advantage of the taxpayer that his profits should be high) and for another interpretation in other circumstances (as in the normal circumstances in which the taxpayer wishes to keep his taxable profits low). The argument has thus been fairly evenly balanced before the courts. But the general interpretation of the accountant on the distinction for normal commercial purposes between income and capital receipts and expenditure has been fairly reflected in the decided cases.

[Concluded]

Taxation Notes

Error or Mistake

Section 66 of the Income Tax Act, 1952, allows a person who has been charged to income tax under an assessment under Schedule D or Schedule E to claim to reopen the assessment if he can show that it was excessive by reason of some error or mistake in the return or statement made by him for the purpose of the assessment. The claim has to be made within six years after the end of the year of assessment within which the assessment was made. No relief is available if the assessment was made

on the basis or in accordance with the practice generally prevailing at the time when the return or statement was made. Section 229 extends the right to surtax.

Evidence as to a "general practice" is usually given by an officer of the Revenue, though it may be supported by other means. It is then up to the taxpayer to rebut the evidence if he can. Relief can be refused if it would result in leaving profits out of assessment, and the Revenue can look at the effect on other years.

The term "error or mistake"

savours of tautology. A popular dictionary defines "error" as "1. something wrong; mistake; what is incorrect. A false belief is an error. 2. condition of being wrong; mistaken or incorrect. You are in error, your idea is false. 3. wrongdoing; sin. 4. difference between the observed or approximate amount and the correct amount;" and defines "mistake" as "error, blunder, misunderstanding." "Blunder" is defined as "stupid mistake." A legal dictionary states: "Error. To bring error, under the practice prior to the Judicature Act, which has substituted the appeal system, was to allege some mistake in the conduct of an action or in the judgment delivered (*Writs of error* were abolished by the Criminal Appeal Act, 1907);" and

"mistake, misconception, ignorance."

It seems evident that the two words are used to guard against some "error or mistake" of omission. There are other instances, e.g. "profits or gains." The dictionary says that "profit" is "gain from a business; what is left when the cost of goods and of carrying on the business is subtracted from the amount of money taken in" and that "gain" is "what is gained, increase, addition, advantage, profit."

Surtax and Bonus Shares

While the issue of bonus shares has no surtax implications for an individual, it is now the official view that the issue of Redeemable Preference shares as a bonus issue (or capitalisation issue) removes the "Chancellor's umbrella" from the issuing company. The reason given is that the issue shows an intention to distribute profits in a capital form. We find this argument difficult to follow. Redeemable Preference shares may be redeemed out of a new issue, not necessarily out of accumulated profits, and the issue of Redeemable Preference shares may be no more than a pious hope that there will be profits available in the future. We cannot see how such an issue can be a factor in considering the reasonableness of dividends paid before the redemption of the shares.

Here is yet another example of the Revenue's constant watch to see if companies peep out from the shelter of the umbrella. Has not the time come to do away with the umbrella and amend the legislation to make statutory what is now the practice, i.e. allowing a company caught in the net of Section 245 to make a reasonable distribution? As has been shown on many occasions, the effect of both profits tax and income tax being paid on profits needed to pay these taxes as well as on distributed profits is that with income tax at 8s. 6d. and profits tax at 30 per cent. a company can pay a dividend of a maximum of 64½ per cent. (gross) of the profits made, or 37.08 per cent. net. It is therefore unreal to have a penal provision apportioning the

whole profit for surtax, even though that treatment avoids the payment of profits tax.

Wife's Earned Income

The fact that a wife has earned income attracts not only an additional personal allowance of seven-ninths of it, with a maximum allowance of £140, but also reduced rate relief. The income available for the reduced

rate relief is her earned income as reduced by any allowances or reliefs that could not be given but for the existence of that income and by any National Insurance contributions paid by the wife as an insured person. None of the husband's reduced rate relief can be given against the wife's earned income. Nor can any balance of her reduced rate relief be used against other income.

Illustration (1)

	1956/57		
	Husband		Wife
	£		£
Earned income	900		540
Unearned	300		100
	1,200		640
<i>Less</i> National Insurance contributions	28		9
	1,172		631
Earned income relief	£200		£120
Personal allowance	240		140
Child	100		
Life assurance relief	60		
	600		260
	572		371
	£183 2 0		£104 13 6
£ 60 at 2/3	6 15 0	£ 60	6 15 0
150 at 4/9	35 12 6	150	35 12 6
150 at 6/9	50 12 6	70	23 12 6
212 at 8/6	90 2 0	91	38 13 6

Illustration (2)

	Husband		Wife
	£		£
Earned income	720		720
Unearned (less National Insurance contributions)	100		
	820		
Earned income relief	£160		160
Personal allowance	240		140
Child	100		
Life assurance (premiums limited to 1/6th of £1,540)	55		48
	555		348
	£265		£372
£ 60 at 2/3	6 15 0	£ 60	6 15 0
150 at 4/9	35 12 6	150	35 12 6
55 at 6/9	18 11 3	150	50 12 6
at 8/6		12	5 2 0
	£60 18 9		£98 2 0

The life assurance relief appropriate to one-sixth of the wife's earned income can be given only because of the existence of that income.

Had the wife had £200 unearned income, the balance of the husband's reduced rate relief would be available against it (ignoring any variation in life assurance relief) and it would be charged:

	£ s. d.
£ 95 at 6/9	32 1 3
105 at 8/6	44 12 6
	£76 13 9

Capital Allowances

A booklet of twenty-two pages has been published by the Engineering Industries Association, price 5s., entitled *Capital Allowances—a Summary of Taxation Reliefs Available on Expenditure on Capital Assets*. It includes a list of basic rates applicable to plant and other assets in common use within the engineering industries. Particularly useful is the section explaining special allowances for overtime working. A list of fuel economy plant still eligible for investment allowances is given. The diagrammatic illustration of investment and initial allowances is useful, but it would have been improved by making it clear that the dates given are dates of expenditure and not dates within the tax year, as the illustration implies. Here is another example of the difficulty of compressing income tax matters. This small criticism does not detract from our view that the booklet will be very useful as an *aide-memoire*.

Amended Schedule A Assessments

Whenever the Revenue are able to increase an existing Schedule A assessment because of some change in the nature of the unit assessed, e.g. structural alterations, and when they are assessing new property they are now sending out a note reading as follows:

Newly erected or structurally altered property which is occupied by the owner has in the past usually been assessed for income tax (Schedule A) by reference to its valuation for rating.

If this course were followed now that there has been a revaluation for rating (this revaluation came into force on April 1, 1956) the result would normally be that property of this sort first assessed after April 1, 1956, would have a higher Schedule A assessment than similar property assessed before that date whose Schedule A assessment is based on the old rating valuation.

The Financial Secretary to the Treasury, however, announced on April 19, 1956, during the Budget debates in Parliament that the Chancellor of the Exchequer "intends to avoid this unfairness and he authorises me to tell the Committee that he has asked the Inland Revenue to assess these new properties at the same level as hitherto adopted in the area for assessment of other owner-occupied properties of the same character."

Schedule A assessments on such properties are accordingly being made by concession at the figures which would have applied had the assessment been made before April 1, 1956, and the assessment shown on the enclosed notice is made on this basis.

This concession applies only to income tax and not to rating assessments.

Clitas

Release 37 of "Current Law" Income Tax Acts Service (*Clitas*) is dated March 11, 1957. It is a voluminous issue principally concerned with the amendment of the Income Tax Acts as a result of the Finance Act, 1956. It also includes further digests of income tax and surtax cases and a number of new statutory instruments, including the Investment Allowance (Fuel Economy Plant) Order, 1956, and the Income Tax (Purchased Life Annuities) Regulations, 1956. The table of National Insurance contributions has been brought up to date.

Double Taxation—Netherlands Antilles

The convention with the Netherlands for the relief of double taxation on income is extended to the Netherlands Antilles with effect from the fiscal year 1953/54. The provisions of the draft Order in Council (see ACCOUNTANCY, January, page 24) have now been made effective by the

Double Taxation Relief (Taxes on Income) (Netherlands Antilles) Order, 1957—Statutory Instrument 1957 No. 425.

Double Taxation—Switzerland

Effect is given, in respect of the estates of persons dying on or after February 25, 1957, to the convention with Switzerland for avoidance of double estate duty (see ACCOUNTANCY, July, 1956, page 281, and August, page 319). The text of the agreement is contained in the Double Taxation Relief (Estate Duty) (Switzerland) Order, 1957—Statutory Instrument No. 426 of 1957. It applies to the estate duty imposed both in Great Britain and in Northern Ireland, and to Swiss cantonal and communal taxes on estates and inheritances.

"What Would They Have Said Today?"

We reproduce from *The Times* their reprint from their issue of February 24, 1957.

TUESDAY, FEBRUARY 24, 1857.

[After the Eloquence—the Income Tax.]

Divested of rhetorical colours, of rival schemes, and of prospective Budgets, the problem [declared *The Times*] is how to provide for the necessary expenditure, which of course itself has to be ascertained. . . . The Oriental Monarch who invited all his Court to be happy for ten days suffered some rude and terrible interruptions, and retired to his palace in grief before the time was over. This has been the fate of Mr. GLADSTONE's promised term of financial prosperity, and his successor has had to construct a Budget, as well as he could, out of the ruins. . . . If the House of Commons desires to be rid of the Income-tax in 1860, it is vain to extort pledges from Chancellors of the Exchequer who may possibly not be then Chancellors of the Exchequer, or from Governments which may then be in the Opposition, or below the gangway. Such attempts only lay the foundation of false hopes, and give a pretence for ridiculous calumnies. The House of Commons is itself alone able to answer this question; it keeps the national purse; it restricts or enlarges the expenditure. It can baffle the calculations of the most economical financier, and often has done so. Itself is to blame if the Income-tax should be necessary, or any other new tax necessary in its place, in 1860.

Recent Tax Cases

By W. B. COWCHER, O.B.E., B.LITT.

Income Tax

Trade—Deduction in computing profits—Change of business premises—Lease of new premises in bad repair—Cost of repairs borne by lessee—Allowances by lessor in rent payable—Whether cost of repairs deductible in computing profits of trade—Income Tax Act, 1952, Section 137 (a), (d), (f).

In *Jackson v. Laskers Home Furnishers Ltd.* (Ch. November 13, 1956, T.R. 391) the respondent company was a dealer in furniture. On May 17, 1952, the lease of its former business premises being about to expire, it had moved into 68–70 Oldham Street, Manchester, and it signed a fourteen years' repairing lease upon June 10 of that year. The premises had been unoccupied for eighteen years and were in a very bad state. Under its lease, the respondent had agreed "to reinstate the demised premises, including the repair of the main roof and plaster, install electric light and heating and to install a new shop front to the reasonable approval of the lessor's architect." In consideration of the lessee doing these things, the lessor had agreed that for the first year of the lease the rent should be a peppercorn, for the next six years £700 a year and for the remaining seven years £1,000 a year. The cost to the lessee of performing his undertakings had been £2,295, made up of (a) general repairs, £1,167; (b) new shop front, £600; (c) repairs to roof, £40; (d) cutting apertures on first and second floors in the party wall between Nos. 68 and 70 to facilitate use as showrooms, £60; (e) partitions and cash desk, £65; (f) electrical repairs, £338; (g) new electrical installation, £150.

The whole of the £2,295 had been claimed by the respondent company as deductible in computing the profits of its trade; and the General Commissioners had decided that all of it was so allowable. The matter being taken to the High Court by the Revenue, Roxburgh, J., had found that the stated case was inadequate and had remitted it to the Commissioners for further findings and for them to state a further case. As a result, they had found that part of the £2,295 was not allowable and had reduced it by £275 to £2,020, which they had held to be deductible in computing the respondent's profits. They had given

no indication how the £275 was made up but, as pointed out in the judgment, it apparently consisted of items (d), (e) and (g). The case then came before Danckwerts, J., who reversed the Commissioners' decision, holding that by reason of the form of the transaction the whole of the £2,295 was of a capital nature so far as the respondent company was concerned.

Of the cases relied upon by the Crown, *Law Shipping Co. Ltd v. C.I.R.* (1924, 3 A.T.C. 110; 12 T.C. 621) was contended to have established that where a ship was acquired when she was overdue for a very expensive Lloyd's survey, the cost of the accumulated repairs could not properly be attributed to the period of trading of the purchasing company but would, upon the other hand, be properly attributable to the period of trading of the vendor. Whilst his Lordship found this case relevant and also referred briefly to the cases dealing with premiums payable in respect of new leases, he said that he had been assisted very much by statements made by Lord Greene, M.R., in *Henriksen v. Grafton Hotel Ltd* (1942, 21 A.T.C. 87; 24 T.C. 453). This was a case dealing not with premiums but with payments for monopoly value of licensed premises. The licensing authority had granted a series of licences, each for three years, in consideration of lump sums allowed to be spread over the three years of each grant; and a lessee had agreed to pay these annual sums, which would otherwise have been payable by the lessor. The lessee had claimed to deduct the amounts so paid by him as trade expenses but, although successful before the Commissioners, he had failed both in the High Court and in the Court of Appeal. Quoting part of the passage embodied in the judgment of Danckwerts, J., Lord Greene, M.R., had there said:

If a payment is of such a nature as to preclude its deduction when made spontaneously, I cannot see that its nature is affected by reason of the fact that it is made under a covenant with a third party. Capital improvements are often under a covenant in a lease. I have never heard it suggested that the cost of making them can be deducted by the lessee in computing his profits for income tax purposes.

Lord Greene then proceeded to demolish the argument based upon the fact that had the lessor undertaken to bear the payments, the higher rent the lessee would then have paid would have been deductible. There was, Lord Greene had said, no justification for saying that a taxpayer who had adopted the method that attracted tax was to be treated as if he had chosen the method that did not. The words italicised in the above quotation would, however, seem to make the analogy imperfect. They clearly refer to the decision in *Kneeshaw v. Albertolli* (1940, 23 T.C. 462), where Lawrence, J., as he then was, held that all payments in respect of monopoly value were capital sums irrespective of the length of the period for which the licence was granted. In the present case, the payments comprised in the £2,020, like that in the *Law Shipping* case, would normally have been of an income character and were made capital only by the special circumstances.

The decision, nevertheless, would seem to be clearly in accord with an established income tax principle. The apparent inequity as between lessor and lessee as regards tax under Schedule A may in such cases be more apparent than real. Nowadays, no prudent taxpayer would sign such a lease as that in the case without enquiry into the resultant tax position.

Income Tax

Trade—Manufacturer of pharmaceutical products and wholesale druggist—Agreement with foreign government to assist in establishing industry for production of pharmaceutical and other products—Whether sum receivable therefor a trade receipt.

Evans Medical Supplies Ltd. v. Moriarty (C.A. December 13, 1956, T.R. 429) was noted in our issue of October, 1956, at page 407. The Burmese Government, wishing to establish a local industry for the production of pharmaceutical and other products, had selected the appellant company to render the advice and assistance necessary to this end; and upon October 20, 1953, an agreement of very comprehensive character had been made between the company and a representative of the Government. The agreement was contained in five Parts and a Schedule. By Part I, in consideration of the payment to the company of "the capital sum of £100,000 sterling payable in the United Kingdom free from any deduction whatsoever," the company had undertaken

obligations which were summed up by Lord Evershed, M.R., as follows:

Broadly speaking, it may fairly and justly be said that the obligations undertaken by the company in Part I were obligations not merely to impart secret formulas, but were obligations to give to the Burmese Government the necessary instructions, information and advice to enable the Government to erect and establish the local factory capable of producing thenceforward the required supply of pharmaceutical and other articles.

Under Part I, the company was to provide all the "know how" needed; but this was to be exclusive to the Government and was not during the currency of the agreement to be furnished by the latter to any other person or corporation in Burma. By Part II, the company had undertaken, *inter alia*, to advise how to proceed with the building and operation of the factory, to act as manager and to provide and train the necessary staff. In respect of the services specified in Part II the company was to be paid for each year of the agreement either £25,000 or 5 per cent. of the value of the factory production, whichever should be the greater. That this annual fee was taxable was not disputed. By Part IV the period of the agreement was to be seven years from its date, but might be renewed on similar terms.

The Special Commissioners had held that the whole of the £100,000 was taxable as being part of an agreement for the provision of services. In their opinion it was not a case of the sale or assignment of a capital asset in consideration of a capital price. Upjohn, J., had reversed this decision. He had held that by the agreement the company was in fact parting for ever with its secret information on its methods of preparation, packing and preservation to the Burmese Government, although this did not in law amount to an assignment of all its rights in Burma. In his view, the £100,000 had been correctly described as a "capital payment." A unanimous Court of Appeal "split the difference" between the two contrary findings and referred the case back for the Special Commissioners to determine how much of the £100,000 was attributable to the disclosure of the secret processes and how much was in respect of services. Both parties were given leave to appeal to the House of Lords. No guidance was given on how the Commissioners should deal with the essentially insoluble problems remitted to them; but this may be advantageous rather than otherwise. There was a similar problem in *Wales v. Tilley* (1943, A.C. 386; 25 T.C. 136), and

there Mackinnon, L.J., whose dissenting judgment was upheld in the House of Lords, after referring to the difficulty of the problem, said:

But if the law requires the Commissioners to ascertain a fact I doubt whether the difficulty of performing their task can relieve them of the duty.

What was the actual apportionment in that case is not disclosed in the report, but where Commissioners have been directed to find a fact there should be no complications unless they disregard the old advice—never to give reasons for their finding if it can be avoided.

Profits Tax

Distribution charge—Trading loss—Franked investment income—Dividends paid—Amount of net relevant distribution—Finance Act, 1937, Section 19, Schedule 4, paragraphs 1, 7 (1A)—Finance Act, 1947, Sections 30, 32 (1), 34 (2).

C.I.R. v. South Georgia Co. Ltd. (Court of Session (Inner House), December 7, 1956, T.R. 465) was an appeal by the Revenue against a decision by the Special Commissioners discharging a profits tax assessment in the sum of £36,363 (tax) made upon the respondent company for the chargeable accounting period from November 1, 1952, to October 31, 1953. The company carried on the trade of whaling but in the period had sustained a loss in its trade amounting to £602,000. On the other hand, during the same period it had received investment income of £272,000 derived from bodies carrying on trades subject to profits tax, so that, taking the two amounts together, there was a net loss of £330,000. In respect of the period it had distributed dividends amounting to £181,000 and it was in respect of the whole of this sum that the Revenue had claimed distribution charge.

Originally imposed as the National Defence Contribution by Section 19 (1) of the Finance Act, 1937, and renamed the Profits Tax by Section 44 of the Finance Act, 1946, the tax had been rescheduled by the Finance Act, 1947. One of the many important changes then made was the distinction drawn between distributed and undistributed profits, the former being heavily penalised. The Lord President, in his judgment, said that this was in order to encourage the ploughing back of profits and their retention by companies paying profits tax. Nevertheless, there was also another object, to curb inflation by restricting the purchasing power of shareholders;

and, although undeclared, it would seem possible that this fact lay at the root of the Revenue's attitude. Looking at the subject from this angle, all distributions would be equally objectionable in their effects.

The differentiation above-mentioned necessitated other changes in the law. The principle governing the treatment of income from investments contained in paragraph 7 (1) of the Fourth Schedule of the Finance Act, 1937, whereby such income was to be excluded save where the contrary was directed, was replaced by the opposite principle. By Section 32 (1) of the Finance Act, 1947, a new paragraph 7 (1) was substituted and thenceforward investment income was to be included in the profits assessable save in the cases specified. Broadly speaking, the exception was income received directly or indirectly from other bodies corporate within the scope of the tax; and by sub-paragraph 7 (1A) the term "franked investment income" was to apply to such income. To implement the new policy, two new conceptions were formulated. By Section 35, the term "gross relevant distributions" was to apply to the total distributions to the members of a body corporate for any chargeable accounting period, whilst, by Section 34, the term "net relevant distributions"—the subject of the penal distribution charge—was to be a fraction of the gross relevant distributions corresponding to the ratio which the profits excluding franked investment income bore to the profits including it—that is, but for a proviso, in the circumstances of the present case there would be no net relevant distribution because of the trading loss. Section 34 (2), however, contained the following proviso:

Provided that when the said gross relevant distributions exceed the profits . . . including franked investment income, the net relevant distributions shall be the sum of—

(a) the profits for the period . . . not including franked investment income; and

(b) the amount of the excess.

Applying the proviso to the facts of the case, the Revenue claimed that the £181,000 distributed as dividends was the gross relevant distribution, and that, as there were no profits even if the franked investment income was included, the amount of the excess was the net relevant distribution and comprised the whole £181,000. The Special Commissioners had rejected this construction upon the ground that it involved reading the word "profits" as including

a minus quantity in ascertaining whether the proviso applied and giving it a different meaning in sub-heads (a) and (b). A unanimous Court of Session approved their decision, the Lord President (Lord Clyde) and Lord Sorn giving the only judgments. Both of their Lordships pointed out in their judgments, which will be found somewhat "tough" reading, that if the company had made a profit on trading of £1 the proviso would clearly not have applied —£1 plus £272,000 being clearly greater than £181,000. At the risk of error, it seems to the present writer that the proviso is reducible to a simple equation according to which:

Net Relevant Distribution

$$\begin{aligned} &= (\text{Profits—Franked Investment Income}) + (\text{Gross Relevant Distribution—Profits}) \\ &= \text{Gross Relevant Distribution—} \\ &\quad \text{Franked Investment Income} \\ &= £181,000 - £272,000 \\ &\text{or } \text{nil}. \end{aligned}$$

The argument of the Inland Revenue appears to amount to saying that (Profits—Franked Investment Income) and Profits (including Franked Investment Income) are both equal to zero, so that the first expression above reduces immediately to the Gross Relevant Distribution, or £181,000. In other words, if there are losses, then "profits" are *nil*.

orally upon behalf of the company and acceptance communicated to Lord Portman. The consideration payable was £1,280,000. Upon the same day a deed of family arrangement was entered into between Lord Portman and various other persons concerned in the Portman Estates. This deed of family arrangement had been approved by Danckwerts, J., in chambers upon February 18, 1955. On this same day, Lord Portman had made an offer in writing to sell to the family estate company freehold properties of which he had obtained absolute ownership under the deed. This offer, as in the case of the other transaction, had been accepted orally. The consideration payable was £1,460,000, so that £180,000 balance was payable to Lord Portman.

On March 31, 1955, a "deed of exchange" had been entered into between Lord Portman upon the one part and the company upon the other whereby Lord Portman had conveyed the property above-mentioned to the company and in consideration the company had conveyed the equitable and beneficial interest above-mentioned to Lord Portman. As further consideration, the company had covenanted to pay Lord Portman on demand the sum of £180,000 with interest at 5 per cent. The issue in the case was whether stamp

duty was payable on £180,000 at 2 per cent., that is, £3,600, as in respect of "equality of exchange" as contended for Lord Portman, or upon two conveyances on sale aggregating £2,740,000 at 2 per cent., amounting to £54,800, as contended for by the Revenue. Danckwerts, J., held that the Revenue claim succeeded. By Section 4 of the Act, unless there was express statutory provision to the contrary, an instrument containing or relating to several distinct matters was to be charged as if it were separate instruments, with duty in respect of each of the matters; and, as regards reliance for the appellant upon Section 73 relating to "exchange and partition or division," his Lordship held that the deed in question was not a deed of exchange at all, and was nothing more than the completion of two contracts for the sale of land. It seemed to him that the document was "a bright idea by the conveyancer concerned who saw a chance, if he could carry it through, of reducing the amount of duty."

The struggle for survival of the great family estates is a grim one nowadays. No information is given in the report on what was the real object of the contracts in the case. It might well be that the defeat over stamp duties was amply compensated for elsewhere.

Stamp Duties

Transactions between tenant for life and family estate company—Contract whereby tenant for life repurchased from company equitable and beneficial interests for an agreed sum—Contract whereby company agreed to purchase freeholds from tenant-for-life for another agreed sum—Sum payable to tenant for life to produce equality—"Deed of Exchange" completing by conveyance both contracts—Whether duty payable as on two conveyances-on-sale or on sum to produce equality—Stamp Act, 1891, Sections 4, 54, 55, 73.

Lord Portman v. C.I.R. (Ch. November 1, 1956, T.R. 353) was a case affecting the great Portman estates. In 1949, Lord Portman as tenant for life had sold to the family estate company his equitable and beneficial interests in part of Portman Settled Estates of which he was possessed for life. Upon February 14, 1955, he had made an offer in writing to buy back from the family company his said life interest save as to portions of the estates which had been sold in the interim. This offer had been accepted

CHANCERY DIVISION

Misegaes v. C.I.R. February 27, 1957.
(Wynn-Parry, J.)

A Dutch infant came to Great Britain as a refugee with his father in 1939. He stayed here until 1951, being educated at a preparatory school and at Harrow. His father settled in Switzerland in 1946 and died there in 1948. Before his father's death, the son spent his holidays with his father in Switzerland; afterwards, partly in Great Britain and partly abroad. In 1951 he went abroad and afterwards paid only occasional visits to this country. He had had no permanent residence of his own in the United Kingdom.

His Lordship held that the minor was ordinarily resident in the United Kingdom for the years 1947/48 to 1951/52

inclusive. (Before 1947/48 a wartime concession applicable to refugees was applicable.)

His Lordship quoted the remarks of Rand, J., in *Thomson v. Minister of National Revenue* (a Canadian case) as accurately stating the English law:

The expression "ordinarily resident" . . . is held to mean residence in the course of the customary mode of life of the person concerned, and it is contrasted with special or occasional or casual residence. The general mode of life is, therefore, relevant to a question of its application.

COURT OF APPEAL

(Lord Goddard, C.J., Jenkins and Sellers, L.J.J.)

Gatehouse v. Vise (H.M.I.T.) March 22, 1957.

The taxpayer was assessed to Schedule

A tax in respect of his occupation of a flat, which was one of five built, over garages, round a courtyard. Access to the flats was by means of outside staircases which communicated with an uncovered balcony on to which the front doors of the flats opened. The flats were entirely self-contained with no internal communication between one another or with the garages. One continuous roof covered them all and there was nothing to show from outside where each flat began and ended. Each tenant was the leasehold tenant of a common landlord, K.E., who held a lease of the whole premises from W. The taxpayer had a sub-lease of twenty-two years for which he had paid a premium of £2,750. His rent was £1 per annum.

The question in dispute was whether the tenant should be assessed under the Income Tax Act, 1918, Schedule A, No. VII, Rule 12, now Section 113, Income Tax Act, 1952:

Where a house is divided into distinct properties, and occupied by distinct owners, or their respective tenants, such properties shall be separately assessed and charged on the respective occupiers thereof.

The alternative was assessment of the landlord under Income Tax Act, 1918, Schedule A, No. VII, Rule 8 (now Section 109, Income Tax Act, 1952):

The assessment and charge shall be made upon the landlord in respect of . . . (c) any house or building let in different apartments or tenements, and occupied by two or more persons severally. Any such house or building shall be assessed and charged as one entire house or tenement. Provided that . . . in default of payment by the landlord, the tax may be levied upon the occupier or occupiers respectively.

It was held that the assessment should have been made on the landlord. Leave to appeal to the House of Lords was granted.

C.I.R. v. Buchanan. March 13, 1957.

The question for decision was whether Section 21 of the Finance Act, 1936, applied to a transaction entered into by the taxpayer's wife.

Sub-Section (1) of the Section (Section 397, Income Tax Act, 1952) provided:

Where, by virtue or in consequence of any settlement to which this section applies and during the life of the settlor, any income is paid to or for the benefit of a child of the settlor in any year of assessment, the income shall, if at the commencement of that year the child was an infant and unmarried, be treated for all

the purposes of the Income Tax Acts as the income of the settlor for that year and not as the income of any other person.

Sub-Section (9) (now Section 403, Income Tax Act, 1952) provided:

the expression "settlement" includes any disposition, trust, covenant, agreement, arrangement or transfer of assets.

In 1927 I. died, leaving property which was by his will divided into three parts. Each of I.'s sons had a life interest in his share and on his death the life interest passed to his children and thence to any of I.'s great-grandchildren living at the time of I.'s death.

In 1948, I.'s son G. was alive. He had three children, of whom the taxpayer's wife, D., was one.

By deed of surrender D. surrendered the interest she would have had in her father's life interest on his death. The next day, her father, G., surrendered his interest which would have passed to D. on his death but for her surrender. Under the terms of I.'s will the interest then passed to D.'s children.

It was held that the surrender by D. was a disposition within the meaning of the Section and that accordingly the sums of money paid to D.'s children had to be included in D.'s husband's income for surtax purposes. Leave to appeal to the House of Lords was granted.

Mitchell Brothers v. Tomlinson. March 18, 1957.

The appellants carried on the business of window cleaners and army surplus stores dealers.

From 1930 to 1939 they acquired houses for letting. They acquired a large number of houses between 1942 and 1948. From 1946 to 1952 houses falling vacant were sold, the appellants taking advantage of the high prices obtainable at that time.

Danckwerts, J., held that they were carrying on the trade of buying and selling houses, and his decision was unanimously affirmed by the Court of Appeal.

Hart v. Sangster. March 19, 1957.

The taxpayer in this case paid £2 million into his deposit account at a branch of a bank on March 17, 1951. This deposit account had existed for many years. When he had first opened the account the taxpayer had made no special arrangement with the bank and the contract was therefore the ordinary contract between bankers and their customers in respect of deposit accounts.

Interest, at varying rates, was credited to the account at half-yearly rests, June 20 and December 20. When the interest was credited, it became principal and itself began to earn interest. Income was credited to the account on the £2 million on June 20. The question for decision was whether the taxpayer had acquired a new source or an addition to an existing source of income within the provisions of Section 21 of the Finance Act, 1951 (now Section 131, Income Tax Act, 1952).

Vaisey, J., had held that the taxpayer had acquired a new source and the Court of Appeal upheld his decision, but for different reasons.

Lord Goddard, C.J., giving the judgment of the Court, said that the source of income was the deposit of money upon the terms of the contract. There was therefore a new source, or at any rate an additional one.

The appeal of the taxpayer was accordingly dismissed. Leave to appeal to the House of Lords was refused.

HOUSE OF LORDS

(Viscount Simonds, Lord Oaksey, Lord Morton of Henryton, Lord Cohen and Lord Keith of Avonholm.)

Hood Barrs v. C.I.R. March 14, 1957.

The taxpayer began to trade in 1947 as a timber merchant, sawmiller and joiner in Mull. He was also a director and shareholder (holding 49 out of a 100 shares) in C. Ltd., which owned a large estate in Mull. In 1947 and 1948 the taxpayer entered into agreements with the company in respect of a quantity of trees growing on its estates in Mull. The agreement purported to be a sale of the trees. The question before the House was whether the sums paid under the agreement were of a revenue or capital nature. Their Lordships (Lord Oaksey dissenting) held that the payments were of a capital nature and thus were not deductible in computing the profits of the trade as timber merchants, etc.

The agreements were unusual but provided the taxpayer with the right to cut and carry away standing trees at such times as he should consider convenient, without any time limit. No property in any tree passed until he had felled it. What was purchased was a right and not stock-in-trade.

Their Lordships left open expressly the question whether the taxpayer would be able to debit his trading account with the cost of the timber as and when it was cut down and taken into stock in his business.

The Month in the City

A Switch to Equities

The decline in industrial Ordinary shares, which was the principal feature of the first half of March, gave way to a rise largely based on the increase in oil imports and the prospect of early improvement in the Middle East—a prospect only in part fulfilled. From then on there was increased talk of reviving trade, and when the railways settled for a 5 per cent. increase in wage rates it was generally assumed that we were back in an inflationary era. Between the middle and the end of March there was a net rise in the industrial index of about 2 per cent. The appearance of a series of White Papers, some couched in rather optimistic terms, did nothing to halt the rise. When the defence figures were published it was the saving as against what would have been spent that received most attention; and although Mr. Thorneycroft's first Budget really gave away very little, it was of a character calculated to make the general run of individual investors feel better. Further, and more important, the doubling of the investment allowance for shipping and the lift of tax liabilities from oversea trade corporations, existing or to be formed, caused business on the day after the Budget to rise, as calculated from the bargains recorded, to the highest point since July, 1955, when industrials were at or near their peak. However, the boomlet did not really outlast the day and it was accompanied by a slight accentuation in the fall in the Funds. Naturally, all oversea plantation, mining (other than gold mining) and extractive industries benefited from the relief to oversea trade corporations, as did others from the cuts in purchase tax and entertainments duty. But the effect of the O.T.C. relief on companies operating at home as well as abroad can scarcely be known until it is reflected in company accounts.

General Budget Effects

While opinions in investment circles differ considerably about the effect of the Budget on share values, there is a preponderance of those who believe that, while not definitely inflationary, it does nothing to pump the remaining inflation out of the system. They point

out that the outcome of the inquiries into the industries recently on strike was not known and does not seem to have been allowed for. There are certainly points on which more light would be welcome, but it seems unlikely, even if our new Chancellor secures a further improvement in the oversea balance, that he will also call a halt to the internal rise in prices. In these circumstances, it seems not improbable that the existing tendency to buy equities rather than fixed interest stocks will continue and that the Government will therefore find it difficult to finance its substantial outlays on capital account by the issue of longer-dated stocks. These various trends were reflected, between March 15 and April 17, in the following changes in the indices compiled by the *Financial Times*: Government securities, a fall from 88.17 to 85.98; fixed interest, a fall from 96.61 to 94.64; industrial Ordinary shares, a rise from 184.5 to 200.8; and gold mines, a further decline from 72.0 to 68.9.

New Issues

There were few indications of a revival in the demand for money at long term until two local authority issues were made towards the middle of April. These were offers by *Brighton* and *Nottingham*, each of £2 million in 5 per cent. stock 1969 at 97½. Brighton was to use about one-tenth of the amount to repay a small maturing loan, while Nottingham offered to holders of £1,225,923 3 per cent. stock the right to convert. In view of the general trend of the Funds and of investment opinion, the prospect even for issues as small as these did not seem particularly good. The general view of investors in recent weeks is well illustrated by a comparison of new issue results. *Tube Investments* and *Metal Box* offered unsecured loan stocks on terms which, having regard to the standing of the companies, ought to have been attractive: over half the aggregate total was left with the underwriters. At about the same time *Pressed Steel* offered similar stock carrying an option to convert into Ordinary shares: the issue was covered eleven times and stands at a high premium. This reflects the preference not

only of the individual investor but of the large institutions through which a heavy proportion of the total national saving now flows. Such a two-way option always has attractions, but in the past institutional investors have usually found that these attractions were discounted in the price, and that it paid them better to back their judgment on what the future would produce. The moral to be drawn from the change in attitude is scarcely flattering to the authorities.

Good Year for "Shell"

While a substantial number of the company reports recently presented have reflected a fall in profit margins, if not in turnover, there have been also a number of excellent figures. Among those recently published, pride of place ought, perhaps, to be given to the *Shell-Royal Dutch* group. Sales figures are up on the year by £270 million to £2,321 million, while net income has risen £20 million to £180 million and share distributions are increased by a quarter to a total cost of £41 million. It is to be noted that the Suez affair was not large enough to reduce the rate of increase in the group trade from that prevailing in the earlier part of the year. But there is reason to suppose that the trade done in that quarter was not as profitable as elsewhere. The Ordinary dividend of "Shell" is covered some 4.7 times, so that the plough-back remains very substantial despite the marked expansion in distribution.

Rayon Fusion

Perhaps the event of the month has been the decision in principle of the Boards of *Courtaulds* and *British Celanese* to amalgamate. A fusion of these two concerns has been canvassed, off and on, for many years and it now seems likely to take place. Both companies have recently suffered some fall in earnings, but Courtaulds seems to have fared the better of the two. At least, it is maintaining its distribution for last year, while that of Celanese has been cut. The machinery of the fusion is an offer of two Courtaulds Ordinary for every three British Celanese and the creation of a new 6 per cent. Second Cumulative Redeemable Preference capital of Courtaulds to be exchanged for the two existing classes of Preference of Celanese on a basis which gives a slightly higher return. The immediate effect was a sharp jump in all Celanese shares, and there is little doubt that the scheme will be accepted.

Points From Published Accounts

Depreciation, Replacement and Revaluation

The accounts of *Lancashire Cotton Corporation*, one of the soundest undertakings in the industry, have long been subject matter for comment, because this is one of the very few businesses that charge no depreciation at all against profits. This year an additional point for discussion arises in that consolidated accounts have been presented for the first time. The occasion has not been utilised for altering the presentation in any way. The familiar functional layout is retained, with a consolidated profit and loss account replacing the former account of the parent company: the parental balance sheet is still presented, however, to complement the consolidated balance sheet. It is always a good thing to have the figures for both parent company and group, since a reader is then enabled to observe detailed changes in the composition of the group that are not always readily assessable from the group accounts alone. In the instance of Lancashire Cotton, having both balance sheets means that one can see how much was paid for the subsidiaries acquired during the year (which are directly responsible for the presentation of consolidated accounts), for subsidiary companies now stand in the parental balance sheet at £797,282, as against £700, inclusive of shares at cost amounting to £795,955.

More scope for discussion lies in the absence of a depreciation debit against annual profits—a practice that has been continued since 1949. It arises from the fact that the directors are of the opinion that the value of the fixed assets exceeds the net value of £7,763,076 shown in the consolidated balance sheet. Instead of a depreciation charge related directly to the book value of the fixed assets the directors each year allocate sums to a reserve for the replacement of fixed assets "in view of the high costs involved." They have decided to continue this method. But can it be said to be sound in principle to acknowledge that the balance sheet does not reflect the true state of affairs and yet do nothing to ease the confusion that this gives rise to in shareholders' minds? That the assets are understated in the balance sheet

masks the true extent to which a business is capable of replacing them. Many a business today that is showing a reasonable sound return on the assets which it employs, taking book figures, would be hard put to make ends meet if current values were substituted in the balance sheet.

Clearly the directors of Lancashire Cotton Corporation are fully aware of the position, for their alternative method of setting aside sums each year to a replacement of fixed assets reserve has built this up to £3,900,000. Let it be conceded that the method at least has the virtue of preventing the fixed assets from being written-down to an absurdly low figure, but we remain convinced that a far better solution would be a straight revaluation of the assets so that business and shareholders alike can start afresh knowing exactly where they stand in relation to this vexed problem of providing the necessary means for replacing earning assets.

Provision of Information about Provisions

It does not seem very satisfactory for *H. M. Hobson* to strike a trading profit after a number of items like depreciation and directors' emoluments have been deducted, but the company cannot be singled out for criticism on this score. It is not without much support in its views of what constitutes a trading surplus, for its practice is gaining strength in company accounting. What else it gains we do not know, since shareholders merely have to add all the items back again to arrive at a trading profit (though in this instance they have thoughtfully been "boxed," which means that only one addition sum has to be completed).

The point that really calls for comment in these accounts is the bald description "provisions" given to one of the items in this box. Since this amounts to £128,468 it might have been thought that some guidance as to its significance would have been given in the account itself. In fact the information is provided in the notes section, but there is nothing at all to indicate that the notes ought to be read in conjunction with the accounts.

The remedy here is quite simple and it is a considerable help to be referred to a relative note where an unfamiliar item appears.

Incidentally, apropos the note on Lancashire Cotton Corporation, Hobson is one of those companies that favour augmenting the statutory depreciation charge with a supplementary transfer to a reserve for increased replacement costs. This is a compromise between outright revaluation of assets and computation of depreciation on the revalued figures, at the one extreme, and complete disregard for the problems of replacement at the other extreme. One other small point is the retention of the item "goodwill, patents, designs, etc., " in the balance sheets when there is no value whatsoever attaching to it. In the circumstances it becomes quite meaningless and at the same time somewhat mystifying to those who do not appreciate that it is a relic of the time when some value was attaching to these intangible items before they were written-off: it would be far better dispensed with altogether.

Good Tabulating

These notes have previously commented upon the improved appearance a rationalised approach to the presentation of figures can lend a set of accounts. *British Tabulating Machine* belongs to the ranks of those companies that feel that the odd hundreds of pounds make little or no difference where totals amounting to millions of pounds are at stake, and thus states all its figures to the nearest £'000. It is a sensible and pleasing approach to the presentation of accounts, and is helped by a judicious use of colour, widely-spaced layout, and the employment of art paper throughout. It is a good idea, also, to have the notes set in a margin alongside the balance sheet.

Correct to One Part in 180 Million

The accounts of *Atlas Stone* go to the other extreme, all figures being taken to the nearest 1d. Admittedly this is a very much smaller business than British Tabulating, but we still feel that to state a balance sheet total of £765,009 11s. 5d. is going to an unnecessary amount of detail in accounts designed to give information only—particularly when the comparative figures are stated to the nearest £. There is also a needless amount of detail in the layout of the fixed assets, much of which could, to advantage, be relegated to a notes section.

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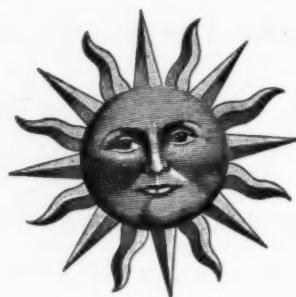
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Detail and Display

Peninsular and Oriental Steam Navigation has always refrained from taking advantage of the Shipping Companies Exemption Order, which gives a dispensation to shipping companies not to divulge certain items of financial information, notably depreciation provisions. The accounts would be worth noting for this self-denial alone. However, the directors have followed up one good example with others in the shape of a wealth of statistical information and a considerable amount of detail about the various subsidiary fleets in the group. This information is presented with an absence of fuss that befits an undertaking with the dignity of P. and O., but one is left wondering if it would not have made a rather greater impact had more fuss, in the way of colour and more imaginative layouts, been adopted. But these matters are ones of personal taste and opinion, and we are far from implying that the presentation is not lively. The accounts themselves are orthodox and call for little comment. However, we do commend the practice of indicating against each item the number of the appropriate schedule in which one will find amplified figures. The schedules themselves are admirably laid out, sensibly ruled and allowed plenty of space so that the figures stand out and are in no way intimidating. In fact, a great deal has been achieved simply by paying considerable attention to typographical details. Thus the type faces have been carefully chosen for clarity and neatness and ample spacing has been allowed for easy reading. Since the only real criticism we have to make is centred around a matter of opinion, perhaps we might go the whole hog and suggest that the end section dealing with the fleets of the various subsidiaries might be better if it were withdrawn from the accounts altogether and published in more elaborate form as a separate brochure.

Contingent Profits Tax

Any company retaining part of its earnings incurs a contingent liability to profits tax on those earnings if at any time they are distributed to shareholders. Occasionally the aggregate liability is shown in the accounts. More often than not a note is appended to the effect that profits tax would be attracted in the event of the reserves or part of the reserves being distributed. This formula, while acknowledging the position that exists, does tend to lull the unwary into thinking that provision has already

been made for the contingency. In fact very few companies set aside the aggregate sum of contingent profits tax. *Bowman's Chemicals* has adopted a different formula in its notes section, a formula which brings matters home much more forcibly: "Provision has not been made for the additional profits tax payable should the retained profits be distributed."

Working Parents Should Not be Shy!

Centenaries and other celebrations are opportune times for introducing innovations in published accounts. *Anti-Attrition Metal* has marked its 100 years of trading with the addition of a stiff cover to the accounts, which now incorporate the chairman's statement. More changes might have been made, but the directors have preferred to stick to their quiet, unfussy presentation, showing both a parent profit and loss account and balance sheet as well as the usual group accounts. To the orthodox, it was one of the regrettable features of the Cohen recommendations that after they appeared there set in a tendency to drop the publication of parent company accounts. If the parent is little more than a holding concern there is much to be said for not publishing its figures. But quite frequently a parent company is responsible for a large proportion of the overall profit. In such circumstances, the publication of the group accounts alone might enable smaller earnings by the parent in any one year to be concealed by larger earnings in the subsidiaries. Admittedly, if this line of argument were taken to its logical conclusion separate accounts would have to be published for each of the subsidiaries—something that would be quite out of the question for our largest concerns, with their forty or fifty companies. But the thought does help to underline the difficulties of striking a balance in annual accounts between what is desirable and what is practicable.

Only two detailed points are to be noted in the Anti-Attrition accounts. One is that here is another business that prefers to preserve the heading "goodwill" in the accounts although no value attaches to it, and the other is that this year the somewhat regressive step has been taken of setting up a separate plant replacement reserve. Since the total of £31,500 is comprised by a transfer of £22,500 from the taxation reserve, and £9,000 from the profit and loss account, it is difficult to know what has been achieved—except to clutter up the balance sheet unnecessarily. Under-

standably, there can be much contention on the question of reserves. A layman reading the Anti-Attrition balance sheet would surely get the impression that reserves are something quite divorced from the physical assets of the business, and that his investment had been actively strengthened by the move taken by the company—a move that is, however, hardly a very meaningful one.

The Placing of Notes

English Electric is a company that does publish separate accounts for four members of the group, making it quite easy to see where the principal earning capacity lies. While no attempt is made to elaborate the subsidiary accounts, those of the group as a whole are tastefully set out, with the main captions in blue. It is interesting to note that this is a business that has not, so far, gone in for simplification, the balance sheet being filled, almost to a fault. Thus the bank overdraft is split to show the amount owed by the Canadian subsidiaries, and debtors and stock are shown both gross and net. None of this information is in any way excessive, but one wonders whether a more balanced effect would not be achieved by relegating some of the details to the notes section. Commendably, this section is put right at the front of the report, immediately following the directors' report.

Notes are important and there is really no reason why they should be suspended at the very end of the accounts, as they usually are. The aim should be to place the notes where they are least likely to be overlooked by the uninitiated, and frequently they would best be either at the beginning of the report or in a conspicuous spot well before its end.

An interesting detail of the profit and loss account is the showing of the income tax on income from trade investments separately, thus:

	£	£	£
Dividends and interest:			
Trade investments	118,867		131,458
<i>Less: Income tax</i>	50,518		56,369
	<hr/>		<hr/>
	68,349		75,089
	<hr/>		<hr/>

It is rare to find investment income included net in this way, but anything that throws more light on the overall tax charge has much in its favour.

Readers' Points and Queries

Discretionary Trusts

Reader's Query.—I was interested in the Taxation Note in the March issue (page 131) on discretionary trusts, and should like to know the authority in paragraph (b) for the statement that "a trustee must not be a beneficiary." I have been concerned with a number of such trusts and cannot find any authority for this statement.

Reply.—We are advised that in spite of Section 22 (a), Finance Act, 1894, the statement in the note is correct. (Compare Re Penrose [1933] Ch. 793.)

Income Tax—New Branches

Reader's Query.—The partners in a small business of shoe repairers have from time to time taken over the assets and tenancy of run down shops carrying on similar work. These are on weekly or monthly tenancies.

Unfortunately the sale agreement mentions "stock, fixtures and goodwill," without placing any value upon the assets involved. The term "goodwill" is used by the agents as part of their sales jargon and bears little relation to fact. It could be more accurately described as a premium on the tenancy.

The shops are taken over because of their low rentals and not for any transferable goodwill, which, because of the state of the shop, equipment and stock, has long since ceased to exist—the owners being near to insolvency in each case.

After restocking, redecorating and staffing, over a period under the partners' personal supervision, the shop can usually be made self-supporting, but not always.

Can the Revenue insist upon the clauses of Section 19 of the Finance Act, 1953, being invoked in this case, even though the new shops are merely branches of an existing business?

Reply.—Where a new branch is opened it is a question of fact whether the new branch is to be considered as a mere development of the existing business or as the setting up of a new business. Multiple shops and other trades which open or close branches are normally regarded as merely expanding or contracting the one business, but there are a number of factors to be taken into consideration, such as whether the new

premises have been opened to suit the convenience of existing customers.

The following questions are relevant:

1. How many shops are involved?
2. Are stock and staff readily interchangeable?
3. Are new premises opened for the convenience of existing customers?
4. Is exactly the same type of trade done and the same class of goods sold in the new premises as at the old?
5. Is the trade in the new premises carried on under the same name?
6. A copy of any notice issued to customers.
7. Are the new premises taken over as a going concern?
8. How near are the new premises to the old?

Income from Furnished Letting

Reader's Query.—There would appear to be some variation in practice between different tax districts on whether the gross annual value or net annual value should be deducted in a furnished letting computation. Is this an item which is left to the discretion of the individual Inspector of Taxes concerned? If not, which is it correct to deduct, and what is the particular legislation authorising it?

Does the deduction of the gross or net annual value depend in any way on whether or not a maintenance claim is being submitted?

If there is no formal agreement on the split-up of the income from furnished letting between rent for the property and rent for the furniture, would it be correct to deduct in the furnished letting computation the gross annual value or the total of the net annual value plus the actual repairs incurred, if this was higher?

If there is a definitely agreed split-up of the income between the property and the furniture, then on the authority of *Shop Investments v. Sweet* (1940) 23 T.C. 38 it would not appear correct or advisable to deduct the gross annual value, instead of the net annual value plus actual repairs.

Reply.—It has been the practice to allow the net annual value as a deduction where repairs are charged but the gross annual value where no repairs are charged. It is understood, however, that

normally only the net annual value will be allowed today.

The deducting of gross or net annual value depended not on whether a maintenance claim was made but on whether repairs were charged.

Where there is no formal agreement covering the split-up of the rent, it is thought that an apportionment is still proper under the Shop Investments case. The rent from the property would then form the basis of an excess rent claim where appropriate, the repairs allowance on that rent and the net annual value being deducted.

Irish Finance Act

Reader's Query.—When did the last Finance Act in the Republic of Ireland take effect, and what were its main provisions?

Reply.—The Finance (Miscellaneous Provisions) Act, 1956, became effective on December 27, 1956.

Coalmining. On profits of coalmaking operations commenced after September 30, 1956, by companies incorporated and resident in Ireland, the Act provides for a reduction of 50 per cent. in income tax until the end of the year 1966/67, and in Corporation Profits Tax for all periods up to September 30, 1966. Existing coalmines receive similar relief in respect of excess production over production in a standard period (the year ended September 30, 1955, or September 30, 1956). For income tax, the relief will be given for ten years of assessment commencing with 1957/58, 1958/59 or 1959/60.

Profits from Exports. Profits earned from additional exports are relieved in the same way to the extent of 50 per cent. of both taxes, but only for five years. The standard period and the commencement of the period of relief are fixed in the same way as for coalmaking. Where necessary, profits are to be apportioned as if earned at equal rates on export trade and home trade.

Deduction of Tax from Dividends. The tax recovered by a company from dividends paid to shareholders is restricted proportionately to the income tax relief received on profits from coalmaking and exports.

Industrial Buildings Allowances. On capital expenditure incurred on the construction of an industrial building after September 30, 1956, an allowance of one-tenth of that expenditure is made as a deduction from profits for purposes of income tax and Corporation Profits Tax.

Prize Bonds. The Act gives power to the Minister for Finance to issue prize bonds, carrying no interest but partaking in draws for prizes.

A Tax on Income

Reader's Query.—On page 130 of the March issue of ACCOUNTANCY under the heading of Taxation Notes (Receivability of Income) the following quotation appears: "Income tax is a tax on income and is not meant to be a tax on anything else" (Lord Macnaghton).

Will you kindly let me know in what connection this statement was made, and give the Tax Case reference?

Reply.—The quotation is from Lord Macnaghton's judgment in Attorney General v. London County Council (1900), 4 T.C. 265, page 293. The Crown was contending that a reference in the Customs and Inland Revenue Act, 1888, Section 24 (3), to "such tax" referred only to income tax under Schedule D and did not embrace income tax under Schedule A. It was held that the words meant income tax under any Schedule.

Taxation of Annuities

Reader's Query.—For several years past the Canadian Government annuities are treated, at any rate for Canadian income tax purposes, as partly income and partly capital repayments but the local Inspector of Taxes (I am now resident in the United Kingdom) claims that no apportionment can be made for United Kingdom income tax purposes for the years 1954/55 and 1955/56. After 1955/56, he says, the income tax authorities will make their own apportion-

ments as between income and capital, on my submitting a *special* claim.

Can you advise me whether my claim is worth while pursuing?

Reply.—Before 1956/57, an annuity of term uncertain (e.g. for life) was taxable as income. Section 27 of the Finance Act, 1956, provides that a purchased life annuity is now to be apportioned between the capital element and the income element. The capital element is the proportion of the annuity that the consideration paid bears to the actuarial value of the payments at the date when the first of them began to accrue. In effect the capital element is the consideration paid divided by the expectation of life of the annuitant when the annuity began to be paid.

Where an annuity is payable for a fixed term in any event, then only the interest portion is assessable even prior to 1956/57.

The claim for 1956/57 onwards is certainly worth pursuing.

Car Expenses—Two Properties

Reader's Query.—A client has owned a property in London for several years, letting approximately seventeen rooms furnished (with service) and occupying three rooms himself. He has been assessed under Schedule D, Case 1. He then acquired a property on the South Coast, and from April 5, 1954, he let this property also furnished with service. Since that date accounts have been submitted to the Revenue showing

separately the income and expenditure on each property, with one balance sheet. The Case I assessment on the South Coast property for 1954/55 and 1955/56 is to be dealt with separately from the London property, but recently the Inspector suggested the 1956/57 liability should be incorporated in the settlement of the London property, a suggestion which we accepted.

In April, 1955, our client purchased a car, the expenses of which we allocated equally between the two properties. Our client claims that the majority of the use of the car is for business purposes, as he travels between the properties to collect all rents and generally manage the two businesses.

The Inspector, however, is of the opinion that none of the motor expenses can be claimed. At first he claimed our client was travelling between his residence (London) and his place of business, a position from which he appears to have shifted, but now he maintains that there are two separate businesses and consequently these expenses cannot be allowed.

Reply.—It is a question of fact whether there is one business being carried on. In our opinion there should be a good chance of success if the case is properly argued on appeal, particularly if it is the intention of the client to take further properties for the same purpose. It should be argued that the properties are managed as one estate.

Publications

Partnership Law with 100 Typical Examination Questions. By E. Miles Taylor, F.C.A., F.S.A.A. Ninth Edition. Pp. vi+51. (Textbooks, Ltd.): 7s. 6d. net. **One Thousand Questions and Answers on Company Law.** By Frank H. Jones, F.A.C.C.A., A.C.I.S., in collaboration with Ronald Davies, M.A., Barrister-at-Law. Pp. xiv+370. (Shaw & Sons, Ltd.): 27s. 6d. net.)

THERE ARE MANY competent textbook writers and often there is little to choose between them, but from time to time one or two rise head and shoulders above the rest, particularly in the instruction of the uninitiated. Mr. Taylor is one of the few who excel. Certainly,

the naturally bright and deeply interested students will pass their examinations almost irrespective of the quality of the assistance they receive, but the majority require the aid of the good teacher who, it has been aptly said, can understand those who are not very good at explaining and can explain to those who are not very good at understanding. Such a one is Mr. Taylor and to the needs of such students he directs his attention. In *Partnership Law* he has put all the essential matters necessary for answering questions that appear in accountancy examinations, and his actual exposition takes only thirty-six pages. This book will relieve of one worry the student who is obliged to rush through his studies, and so long as he digests well everything it contains he should be able to satisfy his examiners.

Mr. Jones attempts to satisfy the needs both of students and practitioners,

as well as of business executives (for so reads his preface). The result is that the student may lose his way amidst the detail. The book claims to answer "all the usual and most of the unusual questions likely to arise on the subject of company law" and hence much of the matter is hardly necessary for the usual, hard-pressed candidate for the accountancy examinations. Perhaps the greatest benefit from the book will accrue to the business executive and company secretary, since many of the questions answered arise out of the everyday practice of company law. In conjunction with a standard work on the subject the book should have considerable practical use, but I cannot agree with the author's claim to have eliminated the necessity for reference to such a work. A student may get by with generalisations but the practitioner must have a finer knowledge.

J.S.O.

The Nature of Management. By H. R. Light. Second Edition. Pp. v+154. (*Sir Isaac Pitman & Sons Ltd.*: 12s. 6d. net.) THAT A SECOND edition of Mr. Light's book should be called for in the comparatively short time since it was first published in 1950 is evidence of its usefulness. It has been designed to cover the syllabus for the subject "The Nature of Management" in the Common Intermediate Examination in Management, and this objective is achieved in less than 150 pages. Here is a survey of all the important aspects of management, and the student who reads it carefully should have little difficulty in satisfying his examiners. Not a word is wasted; and the edition is up-to-date enough to include discussion of the nature and effects of automation at the appropriate points.

So short a book cannot, of course, be more than a survey. Of the chapter on "control," for example, nine pages (of which one and a half are devoted to diagrammatic figures) are given to costing and budgetary control, and less than two and a half to management statistics (with an illustration of a Z-chart). Such treatment constitutes a description of some processes of accountancy and statistics, without explanation of principles, and it says much for the author's ability in exposition that this section is perfectly comprehensible to a reader who has not studied either subject. As Lt.-Col. Urwick writes in his introduction, the book "attempts to give the student just enough information on the background and the different aspects of management to tempt him to explore further."

The scope is limited to industrial management—office management and management in retail distribution are not dealt with—but within those limits Mr. Light has produced an excellent piece of work. Let us hope that it will initiate very many people into a discipline of which the development and application is so important to the future of British business.

R.A.H.

Internal Audit in Local Authorities and Hospitals. By W. L. Abernethy, A.S.A.A., F.I.M.T.A. Pp. viii+379. (*Shaw & Sons Ltd.*: Price 37s. 6d. net.)

THIS BOOK is intended as a manual for the use of staff employed on internal audit work in local authorities and hospitals, and as a textbook for students studying for professional accountancy examinations, particularly those of the Institute of Municipal Treasurers and Accountants.

The subject is treated in three sec-

tions: (1) Auditing—particularly internal auditing—in general; (2) The internal audit of specific functions common to all services—for example, wages and salaries, stocks and stores; and (3) Internal audit of services administered by local authorities and hospital authorities.

It is a workmanlike volume in which the mass of detail associated with the subject has been kept within readily assimilable bounds. The contents are well set out. The author has wide experience, and he points out and applies all the sound auditing principles. These attributes make the book particularly useful for the student, whether or not intending to sit for a professional examination. The experienced internal auditor may, however, find the work of smaller value, bearing in mind that the attempt to limit the detail has resulted, for example, in "audit of rates income and collection" being dealt with in only six pages, while the audits of consolidated loans funds, investments and superannuation funds do not appear in the index at all.

This book is probably the first to deal with internal audit in the hospital service. The subject is highly topical and the author gives a practical summary of the accounting structure of the service, with the audit problems involved. He states that the place of internal audit in the hospital service is firmly established: not everyone will agree.

The chapters on training and background for internal auditing are especially thought-provoking. One can imagine that much discussion will be engendered in local authority offices, in particular, by the author's contention that service in a practising accountant's office is the best training for practical auditing. As far as local authority and hospital service work is concerned it might be wiser to remain uncommitted on the point.

Here it is, however, that the author scores. He prefers to be definite and in a forthright lucid manner avoids a mere recital of fact, arousing and maintaining interest throughout.

D.S.J.

Management Accounting for Agriculture. By S. V. P. Cornwell, M.C., M.A., F.C.A. Pp. 84. (*Gee & Co. (Publishers) Ltd.*: 20s. net.)

THIS BOOK is not a textbook; it is a treatise on a technique of management accounting in agriculture. But Mr. Cornwell is concerned not only to present the technique, but also to show how in agriculture there is a lack of the

management teams that exist in industry. Quite fairly, he puts his finger on the weakest point—the absence of working relationships between the accountancy profession and the National Agricultural Advisory Service. He attributes the virtual isolation of accountant from N.A.A.S. officer to the fact that the farmer engages the one, and the State employs the other.

Several chapters are devoted to a discussion on the practicability of standards and to a description and advocacy of the technique of standards used extensively by the N.A.A.S. The official handbook *The Farm as a Business* is the basis of this technique.

All this is excellent, and Mr. Cornwell should be read by all practitioners with an agricultural practice, for it is hardly possible to exaggerate how far the profession is lagging behind in this terrain.

Those who are already pretty deeply interested in the subject may find a number of points provoking them to comment. For instance, Mr. Cornwell says "... monthly control and monthly data of output and costs are useless. . . ." But there are two other techniques both of which satisfactorily provide management with monthly or quarterly control. Again, Mr. Cornwell asks that more of the information supplied by the N.A.A.S. should be in financial form rather than in physical terms. Does he appreciate the dangers? The non-committal and brief treatment of farm valuations makes one wonder. Further, "... an estimate of produce of the farm consumed on the farm . . . is not essential. . ." Some will say that so crucial a transaction must not pass unrecorded.

May the book be widely read not only by the profession but by farmers and Government officials as well! Is it too much to hope that the "three bodies of men of different callings, and with very different training, skills and background" may yet work together to develop and apply the techniques of agricultural management accounting?

A.E.

Books Received

A Record of Agricultural Policy, 1954-56. Pp. 64. (*Farm School Economics Branch, School of Agriculture, Cambridge*: 4s. post free.)

Education Statistics 1955/56. Pp. 23. (*Institute of Municipal Treasurers and Accountants, London, and The Society of County Treasurers, Shire Hall, High Pavement, Nottingham*: 3s. post free.)



set fair

FOR THE ABBEY NATIONAL, 1956 was a year of sound and steady progress. This is, perhaps, best illustrated by the growth of total assets to £258,246,000 at 31st December, 1956.

Advances on mortgage during 1956 amounted to £40,300,000—or a little more than in the previous year. Two points deserve emphasis: first, this result was largely made possible by the new savings invested in the Society during the year; and, secondly, the Board maintained their high standard governing mortgage securities throughout the period.

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Letters to the Editor

Simplification

Sir,—I am afraid I am rather late in commenting upon your remarks concerning the last annual accounts of this company (ACCOUNTANCY, March, 1957, page 140), but so much interest has been created by the accounts and subsequent developments that I am finding difficulty in dealing with matters as they arise.

Your comments in favour of certain aspects of what we have done are appreciated. Your (and other similar) criticism is being met by a modification of the layout. I think the resultant proposed basic form—which will incorporate all the principles advocated—will meet most points in view and may possibly be regarded, therefore, as a suitable form (modified to suit the circumstances) for general use. If so, there will be no need for separate, simplified or explanatory statements, or abridged simplified accounts, which many firms issue these days for the benefit both of shareholders who find the orthodox accounts difficult to follow and of employees of the company (whether shareholders or not); moreover, it will then mean that *all* the information prepared for publication will be audited and certified, which would appear to be a very desirable feature.

Yours faithfully,

N. K. MOUSLEY,

Chairman, Charles Winn & Co. Ltd.
Birmingham.

[This letter is referred to in a Professional Note on page 199.—Editor, ACCOUNTANCY.]

Company Savings Banks?

Sir,—After twenty years' secretaryship of a company whose shares were mostly issued in £1 units, I say without hesitation that "caretaking" for small holdings of shares is uneconomic and the holdings do not really supply any capital to help the company with its business.

There are all the entries of application and allotment, the share register, the share certificate, registrations every year—and a dividend that is hardly worth the postage. After a time members begin to die and there are valuations of shares, transfers, and just as much work as if the smallholding were a thousand pounds.

Again, I have done tax repayment claims for old ladies and had to deal

with shares of 2s. 6d., with quarterly dividends! It is all too niggling and should be done away with.

With the exemption from income tax of Post Office interest up to £15, it has occurred to me that legislation should provide for companies to organise a "savings bank," into which persons could pay in small deposits, until they had £50 and could be furnished with a share certificate. (I do not visualise the issue of shares under £50.) The account could be credited with interest—free of tax—and the holders could have a pass book or a card. No doubt it would be necessary to put a block of shares in the care of trustees, to cover the aggregate deposits. Withdrawals (under £50) would be at par and thereby save executorship work.

The release from taxation of the first £15 of interest would make this scheme possible.

Yours faithfully,
Worcester C. N. ROWE, F.S.A.A.

Taxing the Spare Time Writer

Sir,—I am interested in the subject of the taxing of earnings from what is known as "casual literary work." No doubt it is presumptuous of me, but I feel that the courts have distorted the plain meaning of the Income Tax Act, and created an artificial position repugnant to common sense. Is there anything that we can do to get the taxation provisions brought into line with the facts?

Case II of Schedule D applies to income from a "profession or vocation," and the two are not synonymous. My dictionary defines a profession as "the business (superior to a trade or handicraft) which one professes to understand and to practise for subsistence"; it would be difficult to find a simpler or more apt definition, I should think; and the author who writes for a living is obviously covered by it. A "vocation" on the other hand is literally a call or calling—"a calling or designation to a particular state, profession or business," as my dictionary says. It is "a very large word indeed," as one judge said, and I maintain that it is fairly clear that a person may well exercise a vocation apart from his profession (if any), and secondly that he exercises it because it is something that he feels "called upon" to

do, without necessarily any idea of "practising it for subsistence," as in the case of a profession. The monastic life is the extreme case of a vocation, but I submit that anybody who does literary work is exercising a vocation, whether or not he makes a profession of it.

The Inspectors are reluctant to admit that spare-time or casual literary work is a "vocation," and they assess earnings under Case VI. If the Inspector stands pat on Case VI, and refuses to allow expenses to be set off against receipts, it is monstrous; if he is reasonable, and makes some allowance for expenses by analogy with Case II, he is doing something for which there is apparently no legal authority, but he is being more realistic, and I maintain that it is time that the Revenue went the whole way and agreed that Case II should apply fully.

The fact is that the expenses of authorship are heavy, especially where the subject is of a technical nature. A typewriter is really essential to any serious writer. If he is dealing with technical subjects he will have to provide drawings and photographs as well as text. These can be very expensive if he has to pay to have them done "professionally," and of course the cost is a dead loss if the article is not accepted. From all points of view, he will prefer to do the drawings and photographs himself if he can, but this may mean very heavy capital outlay on the necessary equipment, particularly for photography. He will probably need a high-quality camera and a very firm and adaptable tripod support for it. He is likely to need also a flash-gun and/or other special lighting equipment. Developing, printing and enlarging mean more expense, either on equipment and materials or in paying to have the work done. The result is that the person who feels a "vocation" to give the world the fruits of his knowledge and experience may easily find himself out of pocket on the deal; and it seems monstrous, as I say, that he should nevertheless be taxable on his gross receipts.

As regards the law on the matter, Section 123 (1) of the Act says that Case VI applies to "any annual profits or gains not falling under" any other provisions. To any ordinary person, an "annual meeting" or "annual flower show" is something that recurs annually, but apparently the Revenue have a judicial decision that the word "annual" means no more than "in any year." Apart from doing violence to normal usage of the word, this interpretation means that the word could have been

left out of the Act altogether without affecting the meaning, and this can hardly be right. Giving the word "annual" its normal and generally-accepted meaning, Case VI would not apply to an isolated transaction, such as the sale of a single literary contribution or painting. It is only by distorting the normal meaning of "annual" that Case VI can be brought in at all in relation to literary

work, and only then if it can be argued that the work does not amount to a profession or vocation. It has been settled that an isolated transaction can amount to a trade, and that there need not be a profit motive (see page 131 of your March issue), so surely even a single published article, perhaps involving a loss, can be the outcome of a vocation, to be dealt with under Case II.

It seems to me that Cases I and II (plus Schedule E) are designed to cover all earnings derived from the exercise of mental and physical skills, while Case VI is a "sweeping-up" clause to take care of miscellaneous "unearned" income from capital.

Yours faithfully,
F. W. DANIELS, O.B.E.
Newcastle upon Tyne.

Legal Notes

Company Law—

Director's Right to Bring Action for Wrongful Removal

In *Hayes v. Bristol Plant Hire, Ltd.* [1957] 1 W.L.R. 499, H., a director of a private company, was voted off the Board by three other directors. He issued a writ against the company and these other directors, claiming a declaration that his removal was wrongful and a consequential injunction. The defendants took a preliminary point of law that H. had not a sufficient proprietary interest in the company to maintain the action.

For the purpose of deciding this point Wynn-Parry, J., said that he must assume the facts alleged by H. to be true. H. was a shareholder although the articles did not require a director to hold any shares; the articles did not confer on directors any direct right to a stipulated amount of remuneration in any year, but they did provide that the directors should be paid for their services such sums as the company in general meeting might from time to time prescribe. His Lordship held that on these facts H. had a sufficient proprietary right to maintain the action and that the preliminary point failed.

Contract and Tort—

Enforcement of Price Maintenance

The general rule of law is that a stranger to a contract cannot sue upon it and for this reason until November 2, 1956, when Section 25 of the Restrictive Trade Practices Act, 1956, came into force, a manufacturer could not enforce price maintenance in the courts against any person with whom he did not have a direct contract. By Section 25 (1) "where goods are sold by a supplier subject to a condition as to the price at

which those goods may be resold either generally or by or to a specified class or person, that condition may, subject to the provisions of this Section, be enforced by the supplier against any person not party to the sale who subsequently acquires the goods with notice of the condition as if he had been party thereto." (Later sub-Sections exclude sales by persons who bought otherwise than for resale in the course of their business and sales under order of a court or by way of execution or distress.)

In *County Laboratories Ltd. v. J. Mindel, Ltd.* [1957] 2 W.L.R. 541, the manufacturers of "Brylcreem" brought an action against a retailer who had sold a pot below the list price, and claimed an interlocutory injunction. The retailer admitted that he knew the list price but claimed not to have actual knowledge of the date when the particular pot had been sold by the manufacturers to the wholesalers; therefore, so the argument ran, as this sale might have taken place before November 2, 1956, when the Section came into force, he was not liable. The manufacturers, who could prove by a secret mark that they had sold the pot after November 2, 1956, claimed that the retailer had constructive knowledge of the date and was liable.

Harman, J., held that in order to make the retailer liable actual knowledge must be proved and that no interim injunction should be granted: the question whether or not the retailer had actual knowledge should be decided at the trial.

Contract and Tort—

Measure of Damages in Sale of Goods

The Sale of Goods Act, 1893, Section 50 deals with the rights of a seller against a buyer who refuses to accept and pay for the goods ordered. By Section 50 (2) the measure of damages is the estimated loss directly and naturally resulting, in the ordinary course of events, from the buyer's breach of contract and by Section 50 (3) where there is an available

market for the goods in question the measure of damages is *prima facie* to be ascertained by the difference between the contract price and the market or current price. There has been curiously little authority on the application of these principles to cases in which the retail price of the goods has been fixed by manufacturers and the Court of Appeal has given a useful decision in *Charter v. Sullivan* [1957] 2 W.L.R. 528.

In that case C., a car dealer, contracted to sell a Hillman Minx to S. at the fixed retail price and S. refused to accept delivery. Some ten days later C. managed to sell the car to W. at the same price and he then sued S. for his loss of profit on the repudiated sale.

S., the buyer, contended that there was an available market for cars of this type, that the market price and the contract price were the same and that the seller had suffered only nominal damages. The Court doubted whether there was a "market" as the price was fixed and the only way in which the seller could dispose of the car was by finding another individual to buy it retail; there was no "market" of buyers willing to take all cars offered to them at a price varying with the supply and demand. In any case, whether there was a "market" or not, Section 50 (3) did not apply because, even if the market price and the contract price were the same, the seller might have suffered a loss. The real question was whether by the buyer's default the seller had made one sale less than he would otherwise have done. If the seller could have obtained from the manufacturers enough cars to supply all would-be purchasers, then the seller would have lost his profit on one sale and would be entitled to recover that loss of profit as damages; if on the other hand there were not enough cars to meet all demands then the default of one customer would make no difference to the total number of sales and the seller was entitled to only nominal damages. On the facts of the case nominal damages only were awarded.



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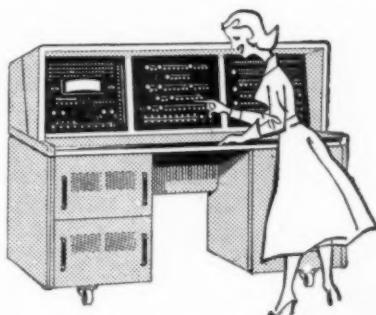
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The Student's Columns

THE PROFITS TAX

II—COMPUTATION OF LIABILITY

LAST MONTH THE computation of the chargeable profits of a company was discussed (pages 187–9). The next stage is to ascertain the distributions made by the company. Section 36, Finance Act, 1947, defines the term "distribution" to mean:

- (i) any amount distributed directly or indirectly by way of dividend or cash bonus to any person; or
- (ii) the value of any assets distributed in kind to any person; or
- (iii) in the case of a director-controlled company, any amount applied whether by way of remuneration, loans or otherwise, for the benefit of any person.

For there to be a distribution, the company must distribute assets. It does not matter whether the assets being distributed represent revenue or capital profits—*C.I.R. v. Bell and Nicholson* [1952] 33 T.C. 130. Normally the issue of bonus shares would not rank as a distribution. If, however, the issue is preceded or followed by a repayment of capital, the provisions of Section 31, Finance Act, 1951, apply. Thus if since April 6, 1949, a company, by means of an issue of fully or partly paid-up shares or by paying calls on existing shares or by the creation of loan capital, has capitalised any sum which if distributed would fall within the above definition of a distribution, and after April 10, 1951, the company applies any sum in reducing its capital, there will be deemed to be a gross relevant distribution of an amount equal to the sum so applied or the total amount capitalised, whichever is the less. Similarly if since April 10, 1951, a company has applied any sum in reducing its capital and then or thereafter it capitalises any distributable sum, the smaller amount will be regarded as a gross relevant distribution.

Section 31, Finance Act, 1956, provides that any sum applied on or after April 18, 1956, in paying a premium on the repayment of share capital will be a distribution. Any premium payable on the redemption of Redeemable Preference shares may be reduced by the amount standing to the credit of any share premium account, providing that the credit balance arose on the issue of shares. Any amount expended by a director-controlled company in repaying a loan in excess of the original sum borrowed is a gross relevant distribution. As, however, the provisions of Section 31, Finance Act, 1956, were enacted only to close a loophole disclosed by the decision in *C.I.R. v. Universal Grinding Wheel Co.* [1955] 34 A.T.C. 123, there is a clause included in the Section providing that in respect of contracts existing before April 16, 1947, on any repayment of Redeemable Preference shares or loans the

distribution will be restricted to the excess of the total sum repaid over the smallest sum required to be paid on the redemption of the shares or repayment of the loan under the contracts. Similarly, if immediately before April 16, 1947, the rights attaching to any issued shares include any right of priority as regards capital in excess of the nominal amount of the shares (not being on Redeemable Preference shares a right only to a premium on redemption) the sum paid to discharge those rights shall not be treated as a distribution, although it will exceed the nominal value of the shares.

Gross Relevant Distribution

Having defined a distribution, it is necessary to consider the gross relevant distribution to proprietors (G.R.D.). The G.R.D. includes all distributions to members in so far as not allowable as deductions from profits for the purposes of profits tax. It is related to a chargeable accounting period (C.A.P.) as follows:

- (i) A dividend declared not later than six months after the end of the period, but expressed to be paid in respect of the period (or part of it) will be regarded as a distribution for the C.A.P. for which it is paid. The Commissioners of Inland Revenue may extend the six months period on request.
- (ii) Any other distributions (including dividends declared after the above period of six months—or the extended period) will be regarded as distributions in the C.A.P. in which they are paid.

- (iii) In the last C.A.P. in which a business is carried on any distribution made after the end of that C.A.P., which is not a distribution of capital or already included in (i) above, will be regarded as a distribution in the last C.A.P.

Illustration

Able Ltd., which is not director-controlled, makes up its accounts to March 31, 1957. On November 1, 1956, it paid an interim dividend of 8 per cent. less tax on an issued capital, in Ordinary shares only, of £50,000. On November 30, 1956, 60,000 6 per cent. Preference shares of £1 each and 50,000 Ordinary shares of £1 each were issued at par for cash. On March 31, 1957, a dividend of 2½ per cent. less tax was paid on the Preference shares in respect of the period to that date. On June 30, 1957, a final dividend of 15 per cent. less tax was paid on the Ordinary shares in issue on that date for the year ended March 31, 1957.

Computing the G.R.D. for the year to March 31, 1957, we have:

Interim dividend, 8 per cent. of £50,000 ..	£ 4,000
Preference dividend, 2½ per cent. of £60,000 ..	1,500
Final dividend, 15 per cent. of £100,000 ..	15,000
Gross relevant distribution ..	£20,500

Net Relevant Distribution

The net relevant distribution to proprietors (N.R.D.) must next be computed. The N.R.D. is the proportion of the gross relevant distribution for the chargeable accounting period which the chargeable profits for the period bear to the profits computed before abatement and including franked investment income.

Illustration

Able Ltd. for the C.A.P. ended March 31, 1957, had chargeable profits of £46,000 and franked investment income of £4,000. Compute the N.R.D. and profits tax liability.

$$\frac{46,000}{50,000} \times 20,500 = £18,860$$

The profits tax liability for the C.A.P. to March 31, 1957, is:

	£ s. d.
Chargeable profit	£46,000 at 30 per cent.
Less N.R.D.	13,800 0 0
Non-distribution relief	18,860
	<hr/>
Profits tax payable	£27,140 at 27 per cent.
	7,327 16 0
	<hr/>
	£6,472 4 0

If the G.R.D. had exceeded the profits before abatement and including franked investment income, a distribution charge would be levied up to the total of the non-distribution relief already given. In these circumstances the N.R.D. is the sum of:

- (a) the chargeable profits, calculated as described in the article in the last issue; and
- (b) the excess of the G.R.D. over the profits computed without abatement and including franked investment income.

Illustration

Assume Able Ltd. for the C.A.P. to March 31, 1957, had chargeable profits of £10,383 after abatement of £192 and franked investment income of £425. The G.R.D. for the period was £20,500. Non-distribution relief given since the company was formed on April 1, 1953, was:

C.A.P. to March 31, 1954	£4,200 at 20 per cent.
" " 1955	3,600 , 20 "
" October 31, 1955	600 , 20 "
" March 31, 1956	1,000 , 25 "

The profits tax payable for the C.A.P. to March 31, 1957, is:

	£ s. d.
(a) Profit £10,383 at 30 per cent.	.. .. .. 3,114 18 0
(b) excess of £20,500 over £(10,383 + 192 + 425 = £11,000) = £9,500	.. .. ..
but limited to £1,000 at 25 per cent.	250 0 0
£8,400 at 20 per cent.	1,680 0 0
Profits tax payable	<hr/> £5,044 18 0

STANDARD PROFIT AND LOSS ACCOUNTS

IN THE LAST article (March, 1957, pages 146-8) we were concerned with the variances of costs. It is similarly necessary to establish the divergencies between standard and actual sales—the "sales variances." The sales variance, like other variances, will consist of differences in price and quantity. Part of the total variance is the "sales volume variance," the difference between the standard volume of sales and the actual volume. Another part is the "sales mix variance," the difference between the standard "composition" of sales—the quantities of each group or type of products—and the actual composition. A further part is the "sales price variance," the difference between the standard price and the actual price. If rebates and discounts are normal in a particular trade, standard allowances must be taken into account in fixing the standard sales: a "sales allowance variance" may then show itself, the difference between the standard allowances and the actual ones. Note that the sales allowance variance may be due to divergencies in the actual volume of sales,

in the actual sales mix or in the actual rates of allowances, compared with standard sales, standard sales mix and standard rates of allowances.

* * *

The purpose of extracting the variances of costs and sales is to provide information that will enable management to trace and remedy unsatisfactory elements in the business. One can assemble the information for management in a standard profit and loss account, a statement showing standard costs and profits and the variations from the standards under each heading. In other words, the profit that is actually earned is set against the profit that should have been earned, and the reasons for the difference are pinpointed. The actual profit and loss account is thus "explained."

In an examination question set recently, the following trading and profit and loss account was given and candidates were asked to draw up the standard account and to show the variances.

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**TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR**

	£	£
Materials	3,400	Sales (7,200 units)
Labour	2,140	7,200
Direct charges	400	
Factory charges	440	
Office charges	300	
Net profit	520	
	<hr/>	<hr/>
	7,200	7,200
	<hr/>	<hr/>

The standard cost of each unit is:

	s.	d.
Material	..	9
Labour	..	0
Direct charges	..	1

Factory charges are: Fixed charges of £300 per annum; variable charges at 6d. per unit.

Office charges are fixed at £300 per annum.

Standard output is 10,000 units per annum.

The standard trading and profit and loss statement will be:

	£	£	£
Standard sales	10,000		
<i>Less</i> Sales volume variance ..	2,800		
	<hr/>		
Actual sales	7,200		
Standard cost of these sales			
Materials	3,240		
Labour	2,160		
Direct charges	360		
Factory charges			
Fixed	216		
Variable	180		
	<hr/>	396	
Office charges	216		
	<hr/>	6,372	
Standard profit	828		
Variances		+£	-£
Materials	160		
Labour		20	
Direct charges	40		
Factory charges			
Volume	84		
Expenditure		40	
Office charges			
Volume	84		
	<hr/>	368	60
Actual Profit	520		
	<hr/>	<hr/>	<hr/>

Notes

1. The standard profit on the sales actually effected should have been £828 but the actual profit was £308 less.
2. More materials were used or prices rose above those estimated when budgeting.
3. Labour was more efficient, or the rates of pay may have been reduced.

4. Direct charges were more than standard, either because the items concerned had increased in cost, or because the level of activity had fallen and a fixed charge, such as a standing charge for power, was involved.
5. Failure to reach the standard output meant that 28 per cent. of the fixed factory and office charges had not been utilised and there was thus a volume variance of £84 on each item—the measure of the cost of idle factory and office facilities.
6. Variable factory charges actually amounted to £140, but the standard figure was $7,200 \times 6d. = £180$; thus there was a variance of £40, caused by a fall in price.
7. The analysis could be taken further if standard times of labour and quantity of material were given.

In the example it is assumed that the whole of the output was disposed of, no stocks remaining. In practice there will usually remain some stocks—of raw materials, partly finished goods and completely finished goods. The relationship between stock valuations and profit ascertainment is well known. For balance sheet purposes, cost is usually taken as the primary basis of stock valuation, but many accountants consider that standard cost should be taken. If the stock is valued on standard cost, the costs of inefficiency and waste (variances) are eliminated and are charged directly against revenue rather than being allowed to be taken forward in the stock valuation. One writer, H. T. McAnly, quoted on page 451 of *Studies in Costing* (published on behalf of the Association of University Teachers of Accounting) puts it this way: "Generally, a more realistic profit determination will result if the ending inventory amount has been stated at a value no higher than the manufactured product costs which are planned and used as the base upon which the existing selling prices and policies were established." Another point of view is that stock values should include all costs incidental to manufacturing, and that, if standard costs are in use, the adjustment to actual costs is required before the balance of profit and loss is finally struck. It will be seen that in cost control one has to ascertain variances and their reasons, whereas in stock valuation it is the disposal and not the creation of the variances that requires treatment.

Assume that a factory had a raw material stock at the beginning of the month of 10,000 lbs. at 1s. per lb. (standard cost). Purchases of 24,000 lbs. at 1s. 2d. per lb. were made during the month and 22,500 lbs. were utilised in production. There were 11,400 lbs. in stock at the end of the month. If there is complete integration of cost and finance records, the accounts will be as follows.

CREDITORS' TOTAL ACCOUNT

	£	£
By Purchases .. .. ..	..	..
Stores ledger .. .. ..	..	..
Control account .. .. ..	..	..
New materials	1,200	
Price variance account	200	
	<hr/>	1,400

STORES LEDGER CONTROL ACCOUNT					
	lbs.	£		lbs.	£
To Balance	10,000	500	By Work in progress account	22,500	1,125
Creditors			Usage variance account	100	5
Total account	24,000	1,200	Stock carried down	11,400	570
	<u>34,000</u>	<u>1,700</u>		<u>34,000</u>	<u>1,700</u>

RAW MATERIAL PRICE VARIANCE ACCOUNT					
	£		£		
To Creditors' total account ..	200	By Profit and loss account ..	200		

RAW MATERIAL USAGE VARIANCE ACCOUNT					
	£		£		
To Stores ledger control account ..	5	By Profit and loss account ..	5		

Notes

1. The price variance on purchase of the materials is immediately segregated as incurred and materials are brought into store at standard cost.
2. The price variance on the *whole* purchase is written-off to profit and loss account, notwithstanding that some 1,400 lbs. are still in stock, valued again at standard. That is to say, no part of the variance is carried forward, although the transaction giving rise to the variance is not wholly exhausted.
3. Work-in-progress is debited with materials at standard cost, the same basis of charge being adopted for the other debits to this account—namely, direct labour, factory overheads and administration overheads.
4. Finished goods account will be debited and work-in-progress account credited with the standard cost of the goods finished during the month. The effect is that raw materials, work-in-progress and finished goods account are all stated at standard cost at the end of the month, all variances being written-off against the profits or losses for the month.

Notices

The Accountants' Christian Fellowship will hold its monthly meeting for Bible reading and prayer at 12.30 p.m. on May 6 in the vestry at St. Mary Woolnoth Church, King William Street, London, E.C.3. The scripture for reading and thought will be Matthew, Chapter 18, verses 23-25 (the parable of the forgiven debtor).

The London Computer Group has completed its first year's work, and has attained a membership of 500. It is prepared to help in the formation of computer groups in other areas, and to make available its publications and other services. The London group will shortly publish the reports of its twenty-four study groups, and will form further study groups and a research sub-committee. Forthcoming activities include evening meetings and a two-day autumn convention. Information of general interest to members will be issued in the form of bulletins and a regular newsletter. The entrance fee is now £1 1s., and the annual subscription £3 3s. for the financial year beginning on May 1. The joint honorary secretaries are Mr. A. J. Bray, M.A., A.C.A., and Mr. J. P. Hough, A.C.A., 29 Bury Street, St. James's, London, S.W.1.

The Remington Rex Rotary M.4 electric automatic duplicator, at the price of £80, is claimed to be the cheapest electric automatic model available. It will produce

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Top Management Planning and Control is the theme of the Scottish Management Conference of the British Institute of Management, to be held at Gleneagles from May 3-5. Among the papers to be given is one on *Incentives for Top Management*, by Mr. W. H. Leather, M.A., F.C.A. Mr. H. C. Rutherford, a director of Venesta Ltd., will give an address on *Information for Decision-Making—the Statistics Required by General Management in Different Types of Company*. One of the informal discussion groups will consider *Getting the Most out of Financial Statements for Planning and Control Purposes*.

The Institute of Cost and Works Accountants has made an arrangement with the University of Nottingham, on similar lines to those already concluded with the Universities of Birmingham, Bristol and London, for exemption of certain graduates from Part I of the Institute's Intermediate Examination. The exemption will be granted to Nottingham graduates if they

have taken the B.A. degree in industrial economics including a study of the law and practice of accountancy.

An address on *The Economic Consequences of Electronics in Industry* will be given by Lord Chandos, chairman of Associated Electrical Industries Ltd., at the Connaught Rooms, Great Queen Street, London, W.C.2, at 3 p.m. on May 30. This will be part of the National Cost Conference of the Institute of Cost and Works Accountants. Incorporated Accountants who would like to attend are invited to apply for tickets to Mr. Stanley J. D. Berger, Director of the Institute, at 63 Portland Place, London, W.1.

The British Institute of Management will transfer its headquarters during the latter part of May to a new "Management House" at 80 Fetter Lane, London, E.C.4. The Institute of Industrial Administration is now integrated with the British Institute of Management, and the offices in Fetter Lane will be suitably laid out to house the joint organisation. The Institute of Personnel Management will also have offices in the same building.

Another in its series of study meetings on mechanised accounting is being held by the National Cash Register Co. Ltd., at 6.0 p.m. on four consecutive Wednesdays beginning on May 8. Readers, either qualified accountants or students, wishing to attend should write to the company at 206-16 Marylebone Road, London, N.W.1, where the meetings will be held.

THE SOCIETY OF Incorporated Accountants

Auditing in the Electronic Age

THE INCORPORATED ACCOUNTANTS' South Wales and Monmouthshire District Society held a dinner at the Park Hotel, Cardiff, on March 15. Mr. K. G. Sim, F.S.A.A., President of the District Society, was in the chair, and the guests included the Lord Mayor and the Lady Mayoress of Cardiff (Alderman and Mrs. D. T. Williams); Mrs. Sim; Mr. R. W. Daniel, B.Sc., A.M.INST.C.E. (Controller for Wales, Board of Trade) and Mrs. Daniel; Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (President of the Society of Incorporated Accountants) and Lady Yeabsley; Mr. Edward Baldry, F.S.A.A. (Vice-President of the Society); the Bishop of Monmouth; Major E. A. C. Westby (High Sheriff of Glamorgan) and Mrs. Westby; Mr. L. Howes (Chairman, South Wales Electricity Board); and other representatives of commerce and the professions.

Mr. R. W. Daniel, B.Sc., A.M.INST.C.E. (Controller for Wales, Board of Trade), who proposed the toast of the Society of Incorporated Accountants, said that accountants were always to be relied upon. Trade could not exist without accounting, so there was always close co-operation between his Department and their profession.

Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (President of the Society of Incorporated Accountants), in response, observed that it had been rightly said that this was the age of specialists; and it had been alleged, not always correctly, that to achieve maximum efficiency there must be specialisation. In other professions, particularly the legal profession, specialisation had been present for many years.

Clearly, there was a degree of specialisation within the accountancy profession and it was tending to increase. The complex economic and administrative structure required the skill, advice and help of specialists, namely, persons well informed and experienced in particular fields of knowledge. Their profession, by its training, experience and high standards of integrity, played its part in ever increasing degree and scope.

Two major fields would come to

mind. The first was taxation, involving advice to clients, the calculation and agreement of legal liability and work in connection with the collection of the tax. The second was management accounting and all that was involved by the introduction of systems of budgetary control, standard costs, and financial and statistical reports.

But there was one aspect of the work of a practising accountant that was of paramount importance: that which was to most of them their bread and butter—namely, the audit of accounts of companies or other bodies as required by statute and the report they were required to make to shareholders. The vast and complicated administrative machinery of the operation of industry and commerce by means of companies rested on the integrity of directors and management and on the reliability of the auditors' report.

It was sometimes said that an audit report was in the nature of a post mortem. It was true that it covered the past, but the work involved was not related to an entity no longer alive or to systems of accounting and check that were unlikely to be current. Much of the work was recognised as of value by management.

Their reports to shareholders were generally in a stereotyped form. Much information, possibly too much on occasions, was given on the face of the accounts and in notes accompanying them to meet statutory requirements and to convey to investors, and to the national Press and others who so effectively helped the lay reader to comprehend the main features, information representing the directors' account of their stewardship. This information, whether required by statute or not, should be given in a fair and frank manner and should reveal, not conceal, relevant facts of importance.

This work of auditing was the key-stone on which rested the confidence in and the future success of the profession.

Many new methods of accounting had been evolved in this century, indeed in the last decade. As auditors they must appreciate both the capabilities and the limitations of those methods, and assess the extent to which human fallibility might be involved. Were they fully in-

formed on the many new developments, some of them fundamental in character? Had they satisfied themselves on what they, as auditors, required by way of books and records where electronic recording was used? These were two questions which each practising member should be prepared to answer in the affirmative. In this nuclear and electronic age the general use of the new methods was certain, and he felt that they were on the threshold of a revolution in the science of accounting and recording. All members of the profession must be in the van and provide the business community with that service which it had come to expect and which it was their bounden duty to render.

Mr. T. H. Trump, F.S.A.A. (Vice-President of the District Society) proposed the toast of "Our Civic Governors." He said they were pleased to have so many distinguished civic guests present. They were especially honoured by the presence of the Lord Mayor. It was an honour to the city that the Lord Mayor had now the title of Right Honourable.

The Lord Mayor of Cardiff (Alderman D. T. Williams) responded. He said there was a close affinity between accountancy and civic government. He had been a council member for twenty-five years and knew how increasingly difficult it was to attract men and women to the administrative side of the work. Our system of local government was the envy of the world.

Mr. K. G. Sim, F.S.A.A. (President of the District Society) proposed the toast of the guests.

Major E. A. C. Westby (High Sheriff of Glamorgan), in response, said that the accountancy profession today stood higher in national importance and prestige than it had ever done.

Keeping Up To Date

THE BIENNIAL DINNER of the Incorporated Accountants' Bradford and District Society was held at the Victoria Hotel, Bradford, on March 22. The chair was taken by Mr. G. A. Wrigley, F.S.A.A., the District Society President, and guests included the Deputy Lord Mayor and the Deputy Lady Mayoress of Bradford (Councillor and Mrs. Donald Rose); Mr. Arthur Tiley, M.P., and Mrs. Tiley; Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (President of the Society of Incorporated Accountants) and Lady

Yeabsley; Mrs. Wrigley; Mr. Halford Reddish, F.C.A. (Chairman and managing director of the Rugby Portland Cement Co. Ltd.) and Mrs. Reddish; the Mayor and Mayoress of Keighley (Alderman and Mrs. John A. Taylor); Mr. F. D. Nickell-Lean (President, Bradford Chamber of Commerce) and Mrs. Nickell-Lean; and representatives of other professional bodies, commerce, and the Inland Revenue.

Mr. Halford Reddish, F.C.A. (chairman and managing director of the Rugby Portland Cement Co. Ltd.) proposed the toast of the Society of Incorporated Accountants. Above all today, he said, the country needed a return to a stable economy. Within the lifetime of the present Government he would like to see the abolition of the so-called profits tax—a tax which offended every classical and traditional canon of taxation, which was hopelessly unfair as between different companies, and which was quite capricious in its incidence. It was aimed at one class only, the Ordinary shareholder, who had practised the twin virtues of hard work and thrift on which the entire economy depended—the man who had found the risk capital for industry. The profits tax withdrew from industry much of the profit which in itself was the source of increased wealth. Until it was abolished, the industries of the country must labour under a great disadvantage.

Equally important was the need for some revision of the present heavy burden of surtax, which ensured that the man of courage, initiative, enterprise and a capacity for hard work was penalised in direct proportion to the success of his efforts. Differentials should not be confined to the distinction between an engine-driver and a porter; they should go right through from bottom to top, with encouragement to everyone to rise up the ladder.

His last plea was for the abolition, or at least a substantial reduction, of stamp duties levied on the purchase of stocks and shares. That would be a real encouragement to the small man to invest his savings directly in productive industry—in many cases in the company for which he worked.

Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A. (President of the Society of Incorporated Accountants) responded. He said that post-war experience had emphasised the importance of the dynamic functions of the accountant in industry in providing management with the means of efficient day-to-day control of its undertaking. Further, the use of standard costs, marginal costing and

budgetary control, although not new, had greatly increased in recent years.

The advent of mechanical aids and now of electronic computers had provided the opportunity for management to be presented with current statistics and accounting information of real value, and it was for accountants to see that management was provided, not only with what it wanted, but with all that was necessary to enable its duties to be effectively discharged. They were justifiably proud of their profession and of its achievements, but clearly they must keep abreast, if not ahead, of the times in the development of techniques of accounting.

Annual accounts portrayed a view of the financial position at a date, and an assessment of the earnings for a period, which were of great value to the shareholder, the investor, the banker and others. There had, therefore, been a natural tendency for directors to wish to present the accounts with the auditor's report to shareholders at as early a date as possible, with the result that there was increasing pressure to complete the audit in shorter time. This brought in its train the need not only to review the amount of interim audit work undertaken, but also to reconsider the nature as well as the extent of the balance sheet audit. There must be a careful examination of the valuation placed on stock-in-trade, on a fair assessment of which so largely depended the reasonableness of the trading results disclosed.

Hippocrates, the greatest of all physicians, said: "There is no authority except facts; facts can only be obtained by accurate observation, and deductions can be made only from facts." In many different capacities they were concerned with the presentation of facts, and as auditors they were required to report whether the balance sheet gave a full and fair view. A fair view involved due consideration of perspective and emphasis, to ensure that the real feature to be portrayed was not obscured by too much detail or over-emphasis of minor elements.

The improvement in the form and presentation of accounts was due to a number of causes, and the professional accountancy bodies and individual members had played a great part. They must, however, recognise the efforts of others such as the Press, including their own journal, ACCOUNTANCY, and that other enterprising journal, *The Accountant*.

There was much yet to be done. They should be concerned with the issue of news as well as of a historical survey.

Each of them individually had a part to play. They must see that they were properly equipped by knowledge and a sound judgment, by integrity and fairness, and that their conduct was in accord with those Christian principles for which this country had stood over the centuries.

Mr. G. A. Wrigley, F.S.A.A. (President of the Incorporated Accountants' Bradford and District Society) proposed the toast of the guests, to which Mr. Arthur Tiley, M.P., responded.

Financing the Olympics

AT A LUNCHEON held by the Incorporated Accountants' London and District Society on March 21, Mr. Jack Crump, the manager of the British team for the Olympic Games, was the guest speaker. Mr. W. J. Crafter, F.S.A.A., the chairman of the District Society, presided.

Mr. Crump said he had not come to the luncheon looking for talent—glancing around him at the figures of the members and guests perhaps it was just as well he had not! Nor were there any tips he could give to get them to Rome as competitors in 1960.

It had been suggested before the last Games that the team should ask for and obtain some financial aid from the Government. The idea had been finally scotched by recent experience. If the team had relied upon financial assistance from the Government, the outcome would have been that Britain would have won no gold medals. They had to raise at least £75,000 to go to Melbourne for the Games. If they had sought Government aid they might possibly have been granted £50,000 or some such figure, with terms and conditions and subject to the Treasury machinery. Instead they went to the public—and they raised more than £130,000. In consequence they were able to send more people to Melbourne to compete. And it was the competitors chosen last, like Brasher, who did best in the Games. If the extra money had not been available, these successful members of the team would not have taken part.

Mr. A. C. Simmonds, F.S.A.A., briefly thanking Mr. Crump, said it was good that there was a spirit of financial independence in the team. If the Government had chosen the team he wondered who would have been picked for the high jump?

Seventy-second Annual Report

President and Vice-President

AT A MEETING of the Council held on May 16, Sir Richard Yeabsley, Fellow, London, was elected President of the Society for the ensuing year, and Mr. Edward Baldry, Fellow, London, was elected Vice-President.

Membership

The membership of the Society as at December 31, 1956, was 11,137. This represents a net increase of 353 in the membership since the corresponding date in 1955.

Obituary

The Council records with regret that 102 members died during 1956. The obituary list includes the names of: William Allison Davies, C.B.E., M.A., a member of the Council of the Society, 1928-1945, and President of the District Society of North Lancashire, 1941-1945. Frank Dixon, President of the District Society of Leicestershire and Northamptonshire, 1946-1947. Frederick Louis Gardiner, Vice-President of the Hull and District Society, 1953-1956. Harry Woodhouse Garland, Vice-President of the District Society of Northern Ireland since 1954. Cecil Leslie Kebbell, a member of the Committee of the District Society of East Anglia, 1949-1956. James Murdoch Roxburgh, a member of the Council of the Scottish Branch, 1941-1956. Clement Evans Thomas, President of the Bradford and District Society, 1950-1951. Herbert Townsend, Captain and Honorary Secretary of the Incorporated Accountants' Golfing Society, 1946-1949.

Disciplinary Committee

During the year twelve complaints were referred to the Disciplinary Committee and four members were censured under the provisions of Article 32.

Registration of Articled Clerks and Bye-Law Candidates

The number of articled clerks and bye-law candidates registered during the past six years was:

	Articled Clerks	Bye-Law Candidates	Total
1951	532	665	1,197
1952	475	655	1,130
1953	575	1,005	1,580
1954	643	707	1,350
1955	635	624	1,259
1956	557	606	1,163

The unusually high bye-law entry in 1953 was due to the introduction of new registration regulations.

Examination Honours

GOLD AND SILVER MEDALS

The Council decided that, commencing with the May 1956 examination, Gold and Silver Medals may be awarded on the result of each Final examination instead of, as

hitherto, on the results of the two half-yearly examinations considered jointly.

A Gold Medal was awarded to Victor Robert Webb of Newmarket, and a Silver Medal to Joseph Norman Lewis of London, in recognition of the results they achieved at the November examination; no award was made in respect of the May examination.

PLACE CERTIFICATES AND PRIZES

It has been decided that normally not more than six Place Certificates shall be awarded at any Intermediate or Final examination.

The Henry Morgan Memorial Prize will in future be confined to London candidates and will be awarded by the Trustees on the recommendation of the Committee of the London District Society.

The Arthur E. Piggott (Manchester) Prize will be confined to Manchester candidates, and will be awarded by the Trustees on the recommendation of the Committee of the Manchester District Society.

The Irish Jubilee Prizes will be awarded by the Irish Council.

The award of other monetary prizes, including the Sir James Martin Memorial Exhibition, has been discontinued. Prizes are now in the form of books selected by the first three successful candidates in both the Intermediate and Final examination, and bound appropriately by the Society. These book prizes will be known as Sir James Martin Memorial Prizes.

Stamp-Martin Scholarships

Stamp-Martin Scholarships were awarded in 1954 and 1955, but no further award was made in 1956.

Applications for the 1957 scholarship, which is open to members, students and prospective students of the Society, should be lodged with the Secretary on or before June 30, 1957.

Integration Schemes

Discussions continued throughout the year between the Council of the Society and the Councils of the Institute of Chartered Accountants in England and Wales, the Insti-

Examinations

The results of the examinations held during the past two years are set out below:

		1956		1955			
		Sat	Passed	Per cent.	Sat	Passed	Per cent.
Preliminary	..	277	97	35	335	108	32
Intermediate	..	1,290	536	42	1,334	597	44
Final:							
Part I only	..	1,248	570	46	1,246	577	46
Part II only	..	809	435	54	683	453	66
Parts I and II together		117			146		
Passed at one sitting	..		31	26		39	27
Passed Part I only	..		20	—		23	—
Passed Part II only	..		14	—		13	—

484 candidates completed their examinations in 1956 compared with 525 in the previous year.

tute of Chartered Accountants of Scotland and of the Institute of Chartered Accountants in Ireland on proposals for the integration of the Society with these Institutes. The proposals were embodied in three schemes which, together with an explanatory memorandum, were issued to members on December 20. They are of far-reaching moment to the profession generally and to the Society in particular.

Special general meetings of members of the English, Scottish and Irish Institutes were held in February and March, 1957, at all of which resolutions approving the schemes were adopted by more than the requisite majorities. At this date, however, the result of the English Institute poll only has been declared. The requisite two-thirds majority was obtained: of the 14,619 votes cast, 10,242 (70 per cent.) were in favour of the English Scheme and 4,340 were against. There were 37 spoilt papers and some 4,500 members did not vote. A confirmatory meeting of the members of the English Institute is to be held on April 17, 1957, and it is anticipated that the results of the Scottish and Irish polls will be declared shortly after Easter.

The ultimate decision on the integration project is thus likely to rest with members of the Society. This is a responsibility not to be undertaken lightly and arrangements are being made by Branches and District Societies to hold meetings in their areas which will be attended by members of the Council and the Secretary, and at which the schemes will be explained and the questions of members answered. The Council exhorts all members to make a real effort to attend one of these meetings so that they may have a full understanding of the schemes and of all the issues involved before they are called upon to record their votes at the poll that will be taken following the extraordinary general meeting: the date of this meeting cannot yet be fixed but the Council hopes to make an announcement shortly.

Incorporated Accountants' Course

A course, attended by 112 members, was held at Gonville and Caius College, Cambridge, from September 20 to 25. Papers were presented by: Professor G. A. Grove, LL.M., on *The Reconstruction of Companies*; Professor C. F. Carter, M.A., on *Some Aspects of Business Decisions*; Mr. T. R. Thompson, M.A., B.Sc., Mr. D. W. Hooper,

M.A., A.C.A., and Mr. W. W. Fea, B.A., A.C.A., on *The Application of Electronics to Accounting*; Mr. W. F. Edwards, F.S.A.A., on *The Contribution of Accounting to Business Planning*; Mr. J. A. Jackson, F.C.A., F.S.A.A., on *Valuation of Shares of Private Companies for Estate Duty Purposes*; Mr. James S. Heaton, F.S.A.A., on *The Finance Act, 1956*.

Retirement Provisions for Self-Employed Persons

In September the Council issued the following statement:

"The Council of the Society of Incorporated Accountants is considering various schemes by which concerted action on behalf of members in respect of retirement pensions may be advantageous. Members should consider the possibility of postponing any decision regarding an individual arrangement until they are informed of the steps, if any, that the Council proposes to take. It is to be noted that the provisions of Section 23 (12) of the Finance Act, 1956, allow ample time for consideration, since premiums paid in 1957/58 may be treated for income tax purposes as relating to the year 1956/57."

A further announcement will be made when the result of the integration schemes is known.

Bankruptcy Law Amendment

In accordance with an invitation which was accepted in 1955, the Council submitted written and oral evidence to the Bankruptcy Law Amendment Committee, appointed by the President of the Board of Trade and presided over by Judge Blagden. The Society was represented before the Committee by Mr. W. G. A. Russell, Mr. D. Mahony, Mr. A. J. Cooke and Mr. T. W. South. The Council's written memorandum of evidence was published in ACCOUNTANCY in June. The Committee has not yet published its report.

The Stamp-Martin Chair and Research

Professor Bray delivered a research lecture at the Hall on June 14, on *Capital Changes*. It was published in *Accounting Research* in October, and is included in his book *The Interpretation of Accounts*. This book, which contains all the lectures delivered by the Stamp-Martin Professor since the foundation of the Chair, was published by the Oxford University Press for the Incorporated Accountants' Research Committee early in 1957.

Two open seminars were held at the Hall on the following subjects: The *Objective Basis of Investment Decisions*—Professor B. R. Williams (North Staffordshire). *The Development of Accounting Theory in the U.S.A.*—Professor B. C. Lemke (Michigan).

In view of the continuing demand, a new impression was printed of the third edition of *Design of Accounts*, by F. Sewell Bray and H. Basil Sheasby.

Copies of the five Reprints published during the year and other Research Com-

mittee publications may be obtained from the Secretary of the Research Committee.

The group with members of the British Institute of Management studying inter-firm comparisons submitted their report in June. It was published in the July issue of ACCOUNTANCY under the title *Accounting Ratios*.

The report of the research group studying *The Effect of De-rating and Re-rating on Industrial Costs* was published in *Accounting Research* in October.

The *Manual of Cost Accounting in the Footwear Industry* was completed during the year, and has now been published. This work was sponsored jointly by the Society and the Incorporated Federated Associations of Boot and Shoe Manufacturers of Great Britain and Ireland.

Special studies of *Management Accounting and Cost Control and Conservation of Cash Resources, in the Small Business*, and *Disclosure of Financial Information to Employees*, conducted by steering committees for the British Institute of Management, were completed during the year and the reports of the committees were submitted to the British Institute of Management. The Stamp-Martin Professor of Accounting was represented on both steering committees.

Accountants' Joint Parliamentary Committee

The Accountants' Joint Parliamentary Committee has continued its work of watching all parliamentary matters relating to the qualification and status of accountants and auditors. Throughout the year under review the joint committee has been successful in maintaining the adoption of a form of audit clause which in effect confines the choice of professional auditor to members of the accountancy bodies represented on the joint committee.

Reference was made in the last report to the satisfactory conclusion of the controversy with the Ministry of Housing and Local Government on the issue of district and professional audit. Since the last report, however, the Ministry has attempted to impose compulsory district audit on two authorities which in the opinion of the Committee were clearly entitled to the option allowed by Parliament in the case of the Kent Water Bill referred to in last year's report. Once again the issue was taken to Parliament which reaffirmed its previous decisions and allowed the option.

Treasury Scale of Fees

It was announced by Her Majesty's Treasury on January 30, 1957, that a revised scale of fees payable to practising accountants for professional work done for Government departments had been introduced, with effect from September 1, 1956. Copies of the revised scale were issued to members in the United Kingdom and Ireland.

Branches and District Societies

The annual conference between representatives of Branches and District Societies

and members of the Council was held in London on May 17.

During the year over five hundred meetings and functions were held throughout the United Kingdom and Ireland.

The Council again records its indebtedness and gratitude to the officers and committees of all Branches and District Societies at home and abroad for their untiring work on behalf of the Society.

SOUTH AFRICAN BRANCHES

A summary of the report of the South African Branches is reproduced on page 241. The membership of the three branches as at December 31, 1956, was 605. Eighty-two articles of clerkship were registered during the year bringing the total number of articled clerks on the Branch Registers at December 31, 1956, to 372.

Mr. R. E. Grieveson was appointed as the Society's nominee on the Public Accountants' and Auditors' Board and seven other members of the Society, including the chairman, Mr. J. C. Macintosh, also served as members of that Board.

The Chairman of the South African Council, Mr. Alan Butcher, visited London during February and met the President and members of the Council for discussions on matters of common interest. Following Mr. Butcher's visit Mr. W. G. A. Russell, in May, attended meetings of the Committees of the Northern and Western Branches in Johannesburg and Cape Town and in December the Vice-President, Mr. Edward Baldry, also had the pleasure of meeting members of the Committee of the Western Branch in Cape Town.

CENTRAL AFRICAN BRANCH

The membership of the Central African Branch at December 31, 1956, was 117 and there were 54 articled clerks on the Branch register.

Mr. K. T. Wood succeeded Mr. J. Craig Allan as Chairman of the Branch and Mr. B. W. S. O'Connell was appointed Vice-Chairman.

Mr. W. G. A. Russell met representatives of the Committee of the Central African Branch, and of the Council of the Rhodesia Society of Accountants in Salisbury in May and there were further consultations later in the year in London with Mr. H. B. Hone, F.S.A.A., the President of the Rhodesia Society.

In addition to Mr. H. B. Hone and Mr. B. W. S. O'Connell, Vice-Chairman of the Branch, ten other Incorporated Accountants are also members of the Council of the Rhodesia Society of Accountants.

Australia

In November, 1955, Sir Richard and Lady Yeabsley left England for a visit to Australia, where Sir Richard met representatives of the Australian accountancy bodies and members of the Australian Branch of the Society. Sir Richard and Lady Yeabsley arrived back in England in February.

The Council records its gratitude to the

Australian Institute and Society and to Incorporated Accountants for their great kindness and hospitality to Sir Richard and Lady Yeabsley.

The Council is also pleased to record the visits to this country of Mr. Charles Ferguson, C.M.G., F.S.A.A., the only member of the Society in practice in Tasmania, and of Mr. C. R. B. James, a member of the Australian Society of Accountants.

In May, Honorary Membership of the Australian Society of Accountants was conferred upon Mr. E. Cassleton Elliott and Mr. A. A. Garrett in recognition of their services to the profession in Australia.

The Society of Incorporated Accountants of India

As reported in the 1955 annual report, the Council instituted legal proceedings in India against "The Society of Incorporated Accountants of India" to restrain that organisation from continuing to use a title so similar to that of the Society, and for other appropriate relief. It was also mentioned that an application for an interim injunction had been refused and that an appeal against this refusal had been lodged. On the advice of Leading Counsel an application was subsequently made for the transfer of the proceedings from the Delhi Court to the High Court on the ground that the issues involved, and the refusal to grant an interim injunction, justified a transfer. Counsel further advised that such an application would have the additional advantage that the appeal could be heard by the High Court at the same time as the petition. The petition to transfer the proceedings has been accepted, but has not yet been heard, and the appeal is therefore still pending.

Society Dinners

Dinners were held at Incorporated Accountants' Hall in March, May and October at which the principal guests were The Rt. Hon. The Earl of Woolton, P.C., C.H., Sir Godfrey Russell Vick, Q.C., The Rt. Hon. Peter Thorneycroft, M.P., The Rt. Hon. Earl Attlee, K.G., O.M., C.H., P.C., and Sir Nutcombe Hume, K.B.E., M.C.

Library

The Council records its appreciation to Mr. A. J. Tomsett, Mr. R. J. Snow and Mr. E. H. R. Martin for their most generous gifts and also to Mr. A. A. Garrett for the three very valuable volumes of *The Microcosm of London* by R. Ackerman which were published in 1808-1811. The gift section now contains some three hundred volumes.

Members and students have made increasing use of the postal facilities and are reminded that books will be sent by post on receipt of a request by letter or telephone.

Appointments Department

Employers who have vacancies and members seeking new posts are invited to communicate with the Appointments Officer. In 1956 the Appointments Officer was successful in finding suitable posts for 48 per cent. of the applicants who sought his help.

"Accountancy"

In the past year the Society's journal, ACCOUNTANCY, under the able editorship of Mr. Leo T. Little, increased its circulation and maintained its high reputation.

The circulation has been rising in recent years, and the average net sales per issue for 1956, as certified by the Audit Bureau of Circulations, were 13,726.

Honours, Decorations and Awards

The Council congratulates the following members of the Society named in recent Honours Lists: C.B.E.: Dudley Foster Herring, London; Duncan Archibald Newby, Alexandria; Charles Herbert Pollard, Hull. O.B.E.: Henry Pattinson Dunkley, London; Harold William Long, Lagos. M.B.E.: Doris Mellefont Hamilton, London; William Joseph Kilner, London; Sidney Herbert Sheriff, London.

Council

The following twelve members retire from the Council at the annual general meeting on May 15, 1957, under the provisions of Article 49: Edward Baldry, Charles Victor Best, Albert Blackburn, Frank Sewell Bray, Andrew Brodie, William Henry Higginbotham, Charles Yates Lloyd, Phyllis Elizabeth Marie Ridgway, Peter Grant Scott Ritchie, Robert Edward Starkie, Joseph Stephenson, Arthur Herbert Walkey. Initially five of these members intimated their desire to resign from the Council at the annual general meeting because of the convention that members of the Council should not seek re-election after reaching the age of 70 years. In view, however, of the special circumstances the Council is pleased to record that the five members concerned were all persuaded to withdraw their resignations until the outcome of the integration proposals is known.

For the same reason no nomination has been made in respect of the vacancy on the Council which was created on Mr. Nelson's vacation of office as President of the Society.

Auditors

Mr. Stanley I. Wallis, Fellow, and Mr. James A. Allen, Fellow, have indicated their willingness to continue in office as Auditors.

Accounts

The audited accounts of the Society for 1956 are annexed.

SUMMARY OF THE REPORT OF SOUTH AFRICAN BRANCHES

Membership

The membership of the three Branches at December 31, 1956, was:

Western ..	..	162
Northern ..	..	337
Eastern ..	..	106
	—	605

Public Accountants' and Auditors' Board

The Society was represented on the Board in 1956 by Mr. R. E. Grieveson with Mr. R. D. Meeser as his alternate, and these representatives have been reappointed for 1957. Mr. J. C. Macintosh, a member of the Society, was Chairman in 1956, and altogether eight members of the Board were Incorporated Accountants.

There were 1,706 persons registered as accountants and auditors under the Act as at December 31, 1956, and of these approximately 606 were members of the Society.

Matters of interest dealt with by the Board during 1956 included the following:

Qualifying Examination. The Education Committee of the Board is responsible for the conduct of this examination as from the beginning of 1957, and it has been agreed that it shall be held in June each year. Two four-hour papers in Advanced Accounting and one four-hour paper in Auditing will be set, and these papers may include questions involving a knowledge of taxation and cost accounts, for which a separate paper will no longer be set.

Appointment of Provisional Trustees. Certain aspects of these appointments were brought to the attention of the Secretary for Justice, as a result of which a meeting was arranged with the Masters of the Supreme Court and interested bodies. Views were exchanged which, it is felt, will help to minimise some of the difficulties, and certain points are still receiving the attention of the Board. The new tariff of trustees' fees published in Government Gazette No. 5757 of October 19, 1956, should encourage more accountants to accept appointments as trustees in insolvency.

Amendments to Act 51/1951. Amendments to the Act which the Board had recommended were gazetted during the year (Act 47/1955). The period referred to in Sub-Section (2) of Section 30 of the Act has been extended to October 31, 1958.

Stock Exchanges Control Act. A Sub-Committee of the Board held discussions with Treasury officials and representatives of the Committee of the Johannesburg Stock Exchange with a view to: (a) providing more protection for the public against failures of brokers and carriers against shares; (b) defining more precisely the extent and nature of liabilities and assets (and the methods of valuation of the latter) for the purpose of the periodical certificate required by the Treasury and the Johannesburg Stock Exchange.

These discussions are still proceeding.

Other Acts. Comments were forwarded to the officials concerned regarding the provisions affecting accounts and the audit requirements of the Industrial Conciliation Act, 1956, the Pension Funds Act, 1956, and the Friendly Societies Act, 1956.

Military Training of Articled Clerks. The adverse effect of the three-months initial courses and the subsequent 21-day courses on clerks' studies when the periods fall in university terms has been pointed out to the

BALANCE SHEET as at December 31, 1956

1955 £		1955 £		1955 £		1955 £	
ACCUMULATED FUND:				FIXED ASSETS:			
100,000 Balance at December 31, 1948 ..	100,000			FREEHOLD PROPERTY:			
INCOME AND EXPENDITURE ACCOUNT:				Incorporated Accountants' Hall			
2,861 Balance	670			at cost ..	108,670		
				Less Members' contributions and			
102,861 29,675 5 PER CENT. MORTGAGE DEBENTURES	100,670			amounts written off ..	1,563		
RESEARCH COMMITTEE:	29,675						
unexpended grants	2,345			107,107			
"ACCOUNTANCY"				FURNITURE AND FITTINGS:			
Reserve for future increases in publication costs, etc.—				Book Value at December 31, 1931,			
Balance at January 1, 1956 .. 1,426	1,426			with additions at cost, less disposals and war damage compensation ..	10,799		
Less: Deficit for year .. 532	532			Less Accumulated depreciation	7,315		
1,426 3,000 PROVISION: Biennial List of Members	894			LIBRARY:			
CURRENT LIABILITIES:	3,000			Book Value at December 31, 1947			
9,520 Creditors and Accrued Charges .. 13,436							
6,546 Subscriptions and Fees received in Advance	6,274						
				110,936			
155,518	19,710			INVESTMENTS, AT COST:			
				£21,800 2½% Savings Bonds 1964/7	17,477		
SPECIAL PRIZE TRUST FUNDS:				£11,000 2½% Exchequer Stock 1960	10,021		
529 Henry Morgan Memorial .. 529				£6,500 4% Funding Stock			
547 Arthur E. Piggott (Manchester) Memorial .. 562				1960/90	5,879		
512 Irish Jubilee Prize Trust Fund .. 512				£3,000 3½% Conversion Stock ..	2,976		
	1,603			£1,000 3½% Defence Bonds ..	1,000		
				34,355			
Note: The Society is under obligation to contribute to the Staff Superannuation Fund such sums as may be necessary to restore any deficiency disclosed upon a quinquennial actuarial valuation. A valuation at December 31, 1953, showed a surplus of £950.				Market value at December 31, 1956: £36,253 (1955: £33,346)			
RICHARD YEABSLEY, President							
PERCY TOOTHILL, Vice-Chairman of the Finance Committee				CURRENT ASSETS:			
				497 Sundry Stocks	548		
				2,480 Stocks of current Research Committee publications	2,015		
				4,593 Debtors and Prepayments	3,545		
				2,657 Bank and Cash Balances	5,782		
				155,518			
				SPECIAL PRIZE TRUST FUNDS:			
				Henry Morgan Memorial—			
				£500 2½% Treasury Stock, at cost	500		
				Arthur E. Piggott (Manchester) Memorial—			
				£500 3% Savings Bonds 1965/75, at cost	500		
				Irish Jubilee Prize Trust Fund—			
				£500 5% Society of Incorporated Accountants Mortgage Debentures, at cost	500		
				Market value at December 31, 1956: £1,134 (1955: £1,180) ..	1,500		
				Income Tax recoverable	5		
				Balance at Bank	98		
£157,106		£161,737					

REPORT OF THE AUDITORS TO THE MEMBERS

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Society so far as appears from our examination of those books. We have examined the annexed Balance Sheet and Income and Expenditure Account which are in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1948, in the manner so required and the Balance Sheet gives a true and fair view of the state of the Society's affairs as at December 31, 1956, and the Income and Expenditure Account gives a true and fair view of the income and expenditure for the year ended on that date.

London, April 11, 1957.

STANLEY WALLIS,
JAMES A. ALLEN,
Incorporated Accountants,
Auditors.



QUEEN ELIZABETH I OPENS THE ROYAL EXCHANGE

On January 23rd, 1571, Queen Elizabeth I opened Sir Thomas Gresham's Exchange in the City of London. It did not, however, survive the Great Fire of 1666 and a new building was erected in 1669. This, too, was burnt down and the present Royal Exchange was opened by Queen Victoria in 1844. Appropriately it was the setting for the public proclamation in the City of the accession of Queen Elizabeth II.

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Speechless—when a few words would have made me! The opportunity I had been awaiting all my life—and I had thrown it away. If I could have made simple little speech—giving my opinion on trade conditions in a concise, witty, interesting way, I know I would have been made for life. Always I had been a victim of paralysing stage-fright. Because of my timidity I was just plain Mr. Nobody, with no idea of impressing others—or pushing myself forward. No matter how hard I had worked, it all went for nothing—I could never win the worthwhile position, simply because I was tongue-tied in public.

But—I am no longer Mr. Nobody! I am one of the highest-paid men in our industry. Scarcely a meeting or dinner is held without my being asked to speak. My real ability, which was hidden so long by stage-fright, is now recognized by everyone. I am asked to conferences, luncheons and important industrial meetings, as a popular and versatile speaker.

A short time ago I discovered how to overcome my stage-fright—and I was amazed to learn that I actually had a natural gift for public speaking. With the aid of a splendid new method I rapidly developed this gift until, in a very short time, I was able to face large audiences—without a trace of stage-fright or self-consciousness.

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INCOME AND EXPENDITURE ACCOUNT for the year ended December 31, 1956

1955		1955			
£	£	£	£	£	£
		ESTABLISHMENT CHARGES:		GENERAL INCOME	
386		Rent and Rates: Essex Street and Arundel Street Offices	656	Subscriptions	56,510
1,566		Rates: Hall	1,968	Entrance Fees	5,996
2,965		Heating, Cleaning and Lighting	3,338	Sundry Fees and Receipts	1,373
466		Insurance	482		63,879
350		Repairs and Renewals	707	CONTRIBUTIONS in respect of Head Office Administrative Services	
545		Depreciation—Furniture and Fittings (Freehold Property, nil)	545	London and District Society ..	400
6,278			7,696	London Students' Society ..	1,750
		ADMINISTRATION EXPENSES:			2,150
19,950		Salaries and Pension Fund ..	22,679	INTEREST RECEIVABLE:	
2,508		Travelling and Incidental Expenses	2,932	Investments—Gross	1,673
3,331		Printing and Stationery ..	3,521	Bank Deposit Interest	21
1,407		Stamps, Telegrams and Telephones	1,589		1,694
293		Publications of Reports and Meetings	407	EXAMINATION FEES	
981		Legal and Parliamentary Expenses	1,143	Excess of Expenditure over Income for year	67,723
241		Audit Fees and Expenses	322		18,317
699		Miscellaneous Expenses	1,037		—
29,410			33,630		
		GENERAL EXPENSES:			
76		Chambers of Commerce Subscriptions	71		
150		Representation Abroad	85		
1,869		Entertainment Expenses	2,203		
3,000		Biennial List of Members (proportion)	3,900		
5,095			6,259		
		EDUCATIONAL AND RESEARCH EXPENSES:			
1,211		Stamp-Martin Chair of Accounting	1,235		
1,500		Grant to Research Committee	1,500		
100		Grant to "Students" Telephone	100		
457		Library Additions	417		
57		Universities Scheme	29		
239		Cambridge Course	314		
133		Stamp-Martin Scholarships	200		
3,697			3,795		
		BRANCHES AND DISTRICT SOCIETIES:			
10,101		Grants and Panel of Lecturers' Expenses	11,167		
		FINANCIAL CHARGES AND TAXATION:			
1,484		Debenture Interest—Gross ..	1,484		
362		Income Tax (1956/57) ..	505		
24		Corporation Duty (1956/57) ..	44		
1,870			2,033		
56,451			64,580		
17,602		EXAMINATIONS			
—		Direct Expenses and Prizes ..	19,576		
		EXCESS OF INCOME OVER EXPENDITURE FOR YEAR	1,884		
£74,053			£86,040		
1,876		Excess of Expenditure over Income for year	—		£86,040
		PROPOSED INTEGRATION SCHEMES:			
—		Legal, printing and incidental costs to date	4,314		
16,046		"ACCOUNTANCY"—Expenditure ..	19,441	BALANCE brought forward from 1955	2,861
17,472		Less Income	18,909	EXCESS OF INCOME OVER EXPENDITURE FOR YEAR	1,884
1,426		532	—	SURPLUS ON REDEMPTION OF NATIONAL WAR BONDS, ETC.	239
1,426		Less deducted from Reserve Account	532		
		Fees paid and estimated in connection with proposed new wing to the Hall	—		
900		BALANCE, carried to Balance Sheet	670		
2,861					
£5,637			£4,984		£4,984

CAPEL HOUSE (MEDCALF) TRUST

INCOME AND EXPENDITURE ACCOUNT for the year ended December 31, 1956

<i>1955</i>	<i>£</i>	<i>1955</i>	<i>£</i>
51 INSURANCE	61	323 RENT OF CAPEL HOUSE ..	323
INCOME TAX IRRECOVERABLE (Restricted Double 91 Taxation Relief)	90	1,571 DIVIDENDS AND INTEREST (gross) ..	1,710
BALANCE, being excess of income over ex- penditure for year	1,882		
1,752			
£1,894		£2,033	£2,033

BALANCE SHEET as at December 31, 1956

1955 £		£	1955 £		£
CAPITAL ACCOUNT:			FREEHOLD PROPERTY OF CAPEL HOUSE AND CONTENTS (not valued)		
27,922	Balance at January 1, 1956 ..	27,922	..	..	—
	Add: Profit on sale of investments ..	224	INVESTMENTS (at valuation at date of transfer to trustees, and subsequent purchases at cost):		
		—	£5,810 British Transport 3% Gtd. Stock 1968/73 ..	5,054	5,054
3,926	INCOME AND EXPENDITURE ACCOUNT:		£3,722 British Electricity 3% Gtd. Stock 1968/73 ..	3,237	3,237
	Balance at January 1, 1956 ..	3,926	£1,674 British Transport 3% Gtd. Stock 1978/88 ..	1,355	1,355
	Add: Excess of income over expenditure for year ..	1,882	£1,450 3½% Treasury Stock 1979/81 ..	1,320	1,320
—	CREDITORS ..	24	£1,093 British Gas 3% Gtd. Stock 1990/95 ..	874	874
			£1,500 3% Savings Bonds 1955/65 ..	1,325	1,325
			£510 3% Savings Bonds 1965/75 ..	438	438
			£1,100 British Electricity 4½% Gtd. Stock 1967/69 ..	—	1,008
			£1,000 3½% Defence Bonds ..	1,000	1,000
			£1,000 4% Defence Bonds ..	—	1,000
			£3,250 Fisons Ltd. 4½% Cum. Pref. Stock ..	2,762	2,762
			£2,000 Cables Investment Trust Ltd. 4½% Pref. Stock ..	—	1,825
			£1,280 I.C.I. Ltd. Ordinary Stock ..	1,392	1,392
			1,564 Eagle Star Ins. Co. Ltd. Ordinary Shares ..	—	3,568
			350 Sun Life Assurance Society Shares ..	1,562	1,562
			289 International Nickel Co. Common Shares ..	4,046	4,046
			£180 A.E.I. Ltd. Ordinary Stock ..	—	635
			225 Albert E. Reed & Co. Ltd. Ordinary Shares ..	—	697
			75 Albert E. Reed & Co. Ltd. "A" Ordinary Shares ..	—	75
			<i>Market Value at December 31, 1956:</i> £43,439 (1955: £40,520) ..	30,758	33,173
			INCOME TAX RECOVERABLE ..	552	373
			DEBTORS AND PREPAYMANETS ..	231	375
			BALANCE AT BANK ..	307	57
£31,848		£33,978	£31,848		£33,978

We have audited the above Balance Sheet and Income and Expenditure Account which are in accordance with the books and accounts of the Trust. We have obtained all the information and explanations which we have required. In our opinion and to the best of our information, and according to the explanations given us, the Balance Sheet gives a true and fair view of the state of affairs of the Trust as at December 31, 1956, and the Income and Expenditure Account gives a true and fair view of the excess of income over expenditure for the year ended on that date.

April 11, 1957.

military authorities, and the matter is being pursued.

Professional Appointments

The following appointments were made during the year:

Public Accountants' and Auditors' Board.

Members: J. C. Macintosh (Chairman), S. L. Deane, A. Dickson, R. E. Grieseson, A. L. Norden, J. A. Stewart, Professor B. J. S. Wimble, J. R. Winearls. **Alternate Members:** L. F. Bowsher, R. H. Button, R. H. Dickson, Professor H. Greenwood, A. S. Leith, R. D. Meeser, E. G. Moore.

General Examining Board: R. D. Meeser
(Chairman).

*The Cape Society of Accountants and
Auditors: L. F. Bowsher (President).*

The Natal Society of Accountants: A. L. Norden (President).

The Transvaal Society of Accountants:
R. R. Anderson (President).

Council Meeting

A MEETING OF the Council of the Society was held on March 27. There were present: Sir Richard Yeabsley (President), Mr. Edward Baldry (Vice-President), Sir Frederick Alban, Mr. A. Stuart Allen, Mr. F. V. Arnold, Mr. C. Percy Barrowcliff, Mr. R. Wilson Bartlett, Mr. Mervyn Bell, Mr. C. V. Best, Mr. A. Blackburn, Mr. Henry Brown, Mr. W. F. Edwards, Mr. James S. Heaton, Mr. J. A. Jackson, Mr. H. L. Layton, Mr. C. Yates Lloyd, Mr. Bertram Nelson, Mr. P. D. Pascho, Mr. S. L. Pleasance, Mr. F. E. Price, Mr. Fred A. Prior, Mr. J. W. Richardson, Miss P. E. M. Ridgway, Mr. P. G. S. Ritchie, Mr. W. G. A. Russell, Mr. R. E. Starkie, Mr. Joseph Stephenson, Mr. C. H. Sutton, Colonel R. C. L. Thomas, Mr. A. H. Walkey and Mr. Richard A. Witty.

Reports of Committees

The Council received the minutes of recent meetings of Committees.

Annual Report and Accounts

The annual report of the Council and the accounts of the Society for 1956 were approved.

London House

The Council approved that a donation of 25 guineas be made from Research Committee funds to the Dominion Students' Hall Trust for London House.

Professional Classes Aid Council

Mr. C. A. G. Hewson was nominated for a further term as the Society's representative on the Professional Classes Aid Council.

Resignations

It was reported that the following members had resigned from the Society: BRINKWORTH, Cedric John Lewis (Associate) Cape Town; COLINS, Hugh Leslie (Fellow) Johannesburg; DAVIS, Hubert (Associate) Brisbane; DAYKIN, Frank Warren (Associate) London; DORNAN, Arthur Bernard (Associate) London; ELLISON, Clement Richardson (Associate) Brisbane; FORSTER, Arthur Leslie (Associate) Cape Town; GALBRAITH, Harold Graham (Fellow) Cape Town; GALE, Stephen Ernest Hubert (Associate) Bognor Regis; GREENE, Herbert Charles McElwee (Associate) Vancouver; MAWDSLEY, Arundel James Basil (Associate) Rainhill; SUMMERLEY, Horace John Thomas (Associate) Johannesburg; WATERHOUSE, Thomas Henry (Associate) St. Leonards-on-Sea; WATKINS, Charles (Associate) Yeovil.

Deaths

The Council received with regret a report of the deaths of the following members: BARNS, William Alfred (Associate) Liverpool; BUCKLEY, Arthur Normanton (Fellow in Retirement) Halifax; BURNS, Dawson (Fellow) Newport, Mon.; COLLARD, Edward George (Associate) Birmingham;

CHALKLEY, Thomas John (Associate) East Barnet; DREYER, Johannes Hubert (Fellow) Johannesburg; EATOUGH, Percy (Associate) London; EDWARDS, Howell David (Associate) Bridgend, Glam.; FOREST, William (Associate) Manchester; HATELY, Thomas (Fellow) South Shields; JOHNSON, James (Associate) Bournemouth; LAW, Edward Isaiah (Associate) Walsall; MARTIN, Samuel Alexander (Associate) Dublin; MCKELLEN, Norman (Fellow) Manchester; MORTON, Charles Vernon (Associate) Purley; OLSEN, Helmer Arnold (Fellow) Johannesburg; PEARSON, Walter (Associate) Huddersfield; ROBSON, Maurice Geoffrey (Associate) Nairobi; ROBSON, Thomas (Associate) Liverpool; ROSS, George Sinclair (Fellow) Cardiff; SMITHSON, Herbert (Associate) Leeds; STOTT, Tom (Associate) Petergate, York; TAYLOR, William Merrick (Associate) Belfast; TOMLINSON, John (Associate) Handforth, Cheshire; TOOTHILL, Henry Gerald (Fellow) Sheffield; WHITE, Henry Edwin (Fellow) London; WORSNUP, James Arthur (Fellow in Retirement) Wilmslow; WORTHINGTON, John Leigh (Associate) Manchester.

Events of the Month

May 1.—London: Taxation Group meeting. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

Manchester: Meeting to discuss the integration schemes. Incorporated Accountants' Hall, 90 Deansgate, at 4 p.m.

May 2.—Preston: Meeting to discuss the integration schemes. Bull and Royal Hotel, at 2.30 p.m.

May 3.—Glasgow: Students' annual meeting. Scottish College of Commerce, Pitt Street, at 6.15 p.m.

Liverpool: "Some Points in Executorship, Hire Purchase and Group Accounts," by Mr. W. J. Fedrick, A.C.A. Pre-examination lectures for Final students. Incorporated Accountants' Hall, Derby Square, at 10 a.m. and 2 p.m.

May 3-4.—Belfast: Pre-examination course conducted by Mr. K. S. Carmichael, A.C.A.

May 4.—Liverpool: "Costing and Taxation," by Mr. N. O. Jones, A.S.A.A. Students' meeting. College of Commerce, at 10 a.m.

May 6.—Cardiff: Meeting to discuss the integration schemes. Park Hotel, at 2.30 p.m. **Hull:** Luncheon meeting. New Manchester Hotel, at 12.50 p.m.

Swansea: Meeting to discuss the integration schemes. Guildhall, at 6.30 p.m.

May 7-10.—Society of Incorporated Accountants: Examinations.

May 7.—Exeter: Meeting to discuss the integration schemes. Imperial Hotel, at 6.30 p.m.

May 8.—Plymouth: Meeting to discuss the integration schemes. Law Chambers, at 6 p.m.

May 9.—Bristol: Meeting to discuss the integration schemes. Grand Hotel, at 6 p.m. **London:** "Depreciation, Income Taxes and Economic Growth," by Professor Sidney Davidson, of Johns Hopkins University, Baltimore, U.S.A. Stamp-Martin seminar. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

May 10.—Gloucester: Meeting to discuss the integration schemes. New County Hotel, at 2.30 p.m.

May 13—Truro: Meeting to discuss the integration schemes. Mansion House, at 6 p.m.

May 14.—London: Annual general meeting of the London and District Society, immediately followed by a meeting to discuss the integration schemes. The Central Hall, Westminster, at 2.15 p.m.

May 15.—London: Society of Incorporated Accountants: annual general meeting at 2.30 p.m., followed at approximately 3.30 p.m. by the Incorporated Accountants' Benevolent Fund annual meeting. Incorporated Accountants' Hall, W.C.2.

May 16.—Brighton: Meeting to discuss the integration schemes. Red Drawing Room, Royal Pavilion, at 7 p.m.

May 17.—Portsmouth: Meeting to discuss the integration schemes. Chamber of Commerce Building, 46 Commercial Road, at 6 p.m.

May 20.—Chester: Meeting to discuss the integration schemes. Grosvenor Hotel, at 2.30 p.m.

Liverpool: Meeting to discuss the integration schemes. Exchange Hotel, at 6 p.m. **Manchester:** District Society annual general meeting. Old Rectory Club, Deansgate, at 6 p.m.

May 21.—Dublin: Meeting to discuss the integration schemes. Royal Hibernian Hotel, at 2.30 p.m.

Llandudno: Meeting to discuss the integration schemes. Junction Hotel, at 7.30 p.m.

May 22.—Cork: Meeting to discuss the integration schemes. Victoria Hotel, at 2.45 p.m.

May 23.—Belfast: Meeting to discuss the integration schemes. District Society Rooms, at 2.30 p.m.

May 27.—Colchester: Meeting to discuss the integration schemes. Red Lion Hotel, at 11 a.m.

Norwich: Meeting to discuss the integration schemes. Royal Hotel, at 4 p.m.

May 29.—London: "Legal and Constitutional Aspects of the Investment of Trust Funds in the British Commonwealth of Nations," by Professor R. C. Fitzgerald, Dean of the Faculty of Laws, University of London. Stamp-Martin seminar. Incorporated Accountants' Hall, W.C.2, at 6 p.m.

May 30.—Newcastle upon Tyne: Meeting to discuss the integration schemes. Connaught Hall, Y.M.C.A., Blackett Street, at 6.30 p.m.

May 31.—Stockton: Meeting to discuss the integration schemes. Sparks Café, High Street, at 7 p.m.

June 3.—Bradford: Meeting to discuss the integration schemes. Victoria Hotel, at 7.30 p.m.

Leeds: Meeting to discuss the integration schemes. Queen's Hotel, at 4.30 p.m.

June 4.—Hull: Meeting to discuss the integration schemes. Royal Station Hotel, at 5.45 p.m.

June 5.—Sheffield: Meeting to discuss the integration schemes. City (Memorial) Hall, at 6.15 p.m.

June 6.—Nottingham: Meeting to discuss the integration schemes. Place and time to be announced.

June 7.—Leicester: Meeting to discuss the integration schemes. King's Hall, Grand Hotel, at 5.30 p.m.

Northampton: Meeting to discuss the integration schemes. Plough Hotel, Bridge Street, at 2.15 p.m.

District Societies

Bradford

A WEEK-END REVISION course, arranged jointly by the Bradford and Yorkshire District Societies, was held in Bradford from April 11 to 14. The course covered all subjects of the examination syllabus. Lectures were given on accountancy subjects by Mr. V. S. Hockley, C.A., on legal subjects by Mr. J. Pickles, Mr. S. Lavine and Mr. W. Collins, and on economics and general commercial knowledge by Mr. J. Hall, M.Sc., B.COMM.

About fifty students from the two District Societies were present at each session, with a number of Bradford Chartered students.

Personal Notes

Mr. Frank Ainsworth, F.S.A.A., F.I.M.T.A., has retired from the office of Borough Treasurer of Southport. His successor is Mr. Thomas Brindle, A.S.A.A., the Deputy Borough Treasurer. At a recent meeting of the county borough council, Mr. Ainsworth was presented with an illuminated resolution of thanks for his services over a period of twenty-seven years as Deputy Treasurer and Treasurer.

Messrs. Allen, Baldry, Holman & Best, Incorporated Accountants, London, E.C.2, announce that they have admitted into partnership Mr. Noel R. Mann, A.S.A.A., who has been a member of their staff for a number of years.

Messrs. Harry L. Price & Co., Incorporated Accountants, Manchester, announce that Mr. John H. Eaves, A.C.A., A.S.A.A., has been admitted into partnership.

Mr. D. E. Bristow, A.S.A.A., has been appointed accountant to Finance Corporation Ltd., Brighton and London.

Mr. H. H. Westall, A.S.A.A., now holds the appointment of Assistant Director (Accounts) in the Department of Market-

ing and Exports, Nigeria. He was formerly Principal Accountant.

Mr. John B. Fender, A.S.A.A., has taken up an appointment as docks accountant at the Middlesbrough and Hartlepool Docks of British Transport.

Mr. George H. Evans, Incorporated Accountant, has commenced public practice at Cortina, Cotwall End Road, Sedgley, near Dudley, Worcs.

Mr. Leslie A. Ward, F.S.A.A., has admitted into partnership Mr. Norman J. James, A.S.A.A., who has been associated with him for a number of years. The firm is practising as Leslie A. Ward, Incorporated Accountants.

Mr. H. Kaner, LL.B., B.Sc., Incorporated Accountant, has started practice at 3 Sterndale Road, West Kensington, London, W.14. We regret that his name was misspelt in the announcement in our April issue.

Removals

Mr. Harold Guy, Incorporated Accountant, has removed his office to Savings Bank Chambers, Cheapside, Wakefield.

Mr. F. E. W. Swann, Incorporated Accountant, announces that his office has been transferred to 202 Mansfield Road, Nottingham.

Mr. R. L. Lloyd, Incorporated Accountant, is now practising at 1 Tettenhall Road, Wolverhampton.

Mr. Bernard Hallett, Incorporated Accountant, has moved his Ellesmere office to Savings Bank Buildings, Scotland Street, Ellesmere, Shropshire.

Messrs. Cyril Arnold & Co. have removed to 17-19 Crescent Road, Rhyl.

Messrs. Crane, Crinkley & Co., Chartered Accountants, advise that the address of their London office is now 1 and 2 Great Winchester Street, E.C.2.

Obituary

Ernest Cecil Seymour Turner

WE REGRET TO report the death on April 2 of Mr. E. C. S. Turner, F.S.A.A., a partner in Messrs. Maurice Thompson & Co., Incorporated Accountants, London, W.C.1. Mr. Turner was forty-six years of age. He qualified as an Incorporated Accountant in 1934, after serving articles with the late Mr. Maurice Thompson, F.S.A.A., and was continuously associated with the firm until his death.

Mr. Turner was well known as a bell ringer and composer of peals. He served on several committees on the organisation of peal ringing, and since 1935 he had been general secretary of the Middlesex County Association and London Diocesan Guild of Change Ringers. He was a keen chess player and a member of the Ealing Chess Club.

ACCOUNTANTS IN GHANA

The officers for 1957/58 of the Association of Accountants in the Gold Coast—now the Association of Accountants in Ghana—are: President, Mr. D. A. W. Hewson, F.C.A.; Vice-President, Mr. H. A. DODOO, A.S.A.A.; Past President, Mr. S. P. Brewster, F.S.A.A.; Honorary Secretary, Mr. G. E. Tickner, A.S.A.A., A.I.M.T.A.

The report for the year 1956 shows a membership of 71, compared with 50 at the end of the previous year. Of the 71, five are African, and it is hoped and expected that the number of African members will increase in 1957.

The Council has had correspondence with Government Departments and educational authorities on training facilities in accounting and bookkeeping. Nine members have agreed to act as instructors at technical institutes.

Representations have been made on proposed legislation dealing with the accounts and audit of statutory corporations.

The Association records that on the granting of independence to the Gold Coast under the name of Ghana it is a matter of satisfaction that the Association is now sufficiently well established to meet all claims upon it for any services in connection with the accountancy profession. It is hoped that as a representative body the Association will be able to play its part in the development of the country and will be called upon to do so.

OFFICIAL NOTICES

(See also page xxix)

ACCOUNTANT (qualified) required by COLONIAL DEVELOPMENT CORPORATION initially for London and later overseas. Applicants should be not over 30 and preferably but not essentially have had some commercial as well as professional experience. Starting salary £900 to £1,250 p.a. according to experience; good pension scheme, holidays and other amenities.

Apply giving full particulars to Personnel, 33 Hill Street, London, W.1, quoting Serial 308.

VACANCY

The Ghana Agricultural Development Corporation invites applications for the post of Accountant on contract for two tours of 18 months each with prospects of renewal in the case of expatriate. An African can normally expect permanent employment.

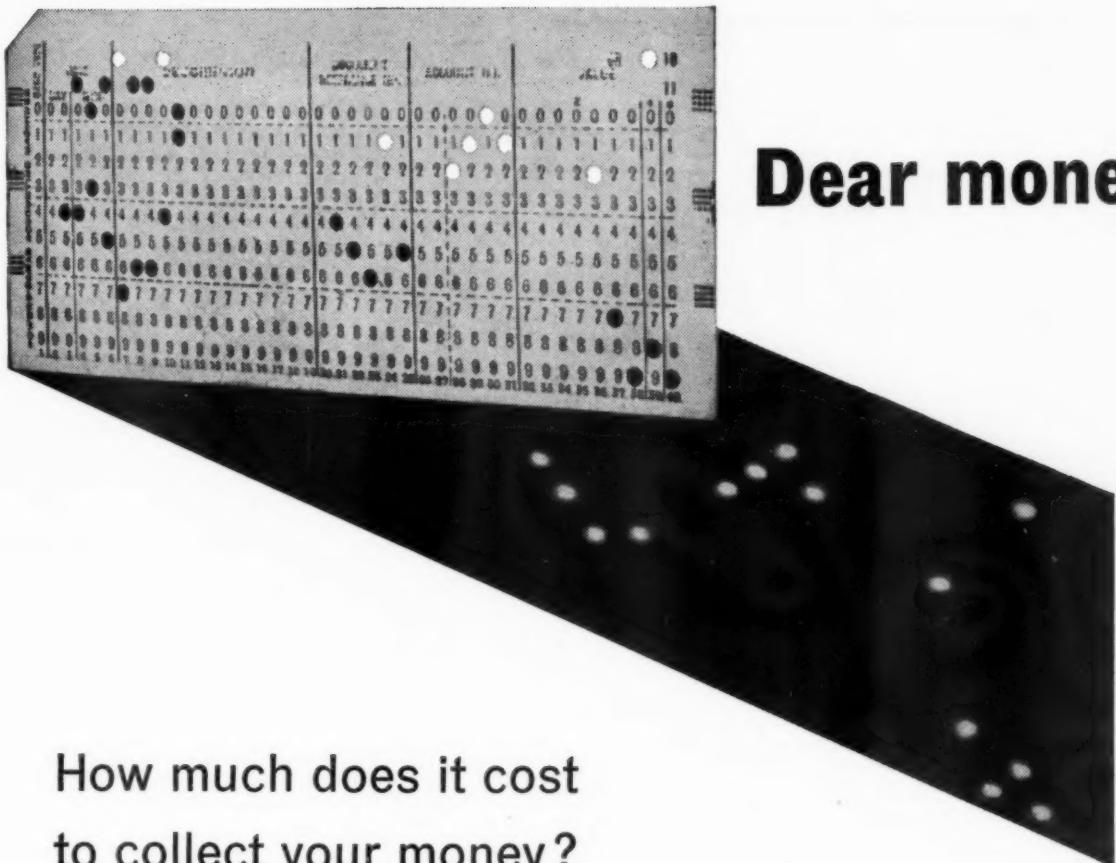
Qualifications: Applicants not over 45 years should be in possession of a recognised professional accountancy qualification. Not less than eight years' experience in commercial plantation accountancy and/or auditing.

Salary: £900-£1,250 according to qualification and experience.

Generous Staff Provident Fund; free first-class passages at end of each tour for self, wife and three children of not more than 18 years in the case of expatriate; seven days calculated on the basis of each completed calendar month of service.

Enquire for further particulars from, or submit your application to: The Secretary, GHANA AGRICULTURAL DEVELOPMENT CORPORATION, Post Office Box 2309, Accra, Ghana, to reach him not later than May 25, 1957.

QUALIFIED ACCOUNTANTS required by FEDERAL GOVERNMENT OF NIGERIA Posts and Telegraphs Department, on contract for two tours each of 12-24 months in first instance. Salary, according to experience, up to £1,728 in scale £1,290 rising to £1,962 a year (including Inducement Addition). Gratuity at rate of £150 a year. Outfit allowance £60. Free passages for officer and wife. Assistance towards children's passages and grant up to £150 a year for maintenance in U.K. Liberal leave on full salary. Candidates must possess a recognised accountancy qualification. Write to the CROWN AGENTS, 4 Millbank, London, S.W.1. State age, name in block letters, full qualifications and experience and quote M1B/42146/AD.



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THE SOCIETY'S APPOINTMENTS REGISTER
Employers who have vacancies for Incorporated Accountants on their staffs and also members seeking new appointments are invited to make use of the facilities provided by the Society's Appointments Register. No fees are payable. All enquiries should be addressed to the Appointments Officer, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2. Tel. Temple Bar 8822.

OFFICIAL NOTICES

(See also page 246)

P. D. LEAKE RESEARCH FELLOWSHIPS
Applications are invited from qualified members of the accountancy profession for appointment to a P. D. Leake Research Fellowship financed by the P. D. Leake Trust. The term of the Fellowship will be for the year commencing 1 October, 1957, and it may be held in the University of Birmingham, the University of Oxford, or at the London School of Economics and Political Science in the University of London, the location of the appointment being determined by the three institutions concerned, in consultation, after consideration of candidates' preferences and research interests.

The object of the Fellowship is to provide university facilities for an experienced accountant to carry out research in subjects with which the accountancy profession is directly concerned and within the charitable object of the P. D. Leake Trust, namely "to benefit and advance the sciences of accounting and of political economy, including the subject of public finance and taxation." Only accountants who are members of United Kingdom accountancy bodies which are recognised for the purpose of United Kingdom company law are eligible.

The emolument of the Fellowship will be £2,000, out of which the Fellow will be required to meet any consequential expenses of his appointment.

Further particulars may be obtained from the Registrar, UNIVERSITY OF OXFORD, with whom applications must be lodged by 1 June, 1957.

FEDERATION OF RHODESIA & NYASALAND Vacancies

Tax Officers: Department of Taxes

Revised Conditions and Salaries:
The Tax Officers' Scale is £740 x £100 — £840 x 60 — £900 x 50 — £1,150 p.a.

Candidates must be under 32 and qualified as Chartered/Incorporated/Certified Accountants, or Honours graduates with Accountancy as major subject, or A.C.C.S. or C.I.S. Finalists.

1. Applicants, C.A. or A.S.A.A. start at £900—£1,100 depending on experience. After one year's satisfactory service are promoted Assessor II at £1,250 p.a. on scale £1,250 x 50 — £1,550.

2. Applicants, A.C.C.A., start at £840 — £1,050, depending on experience. After one year's satisfactory service at £900 or more promoted Assessor II as in 1.

3. Applicants holding final C.I.S. or C.C.S. with minimum one year's post-final experience in accountancy, company or other relevant work start at £740 — £950, depending on experience. After two years' assessing experience and satisfactory service for at least one year at salary of £900 or more, promoted Assessor II as in 1.

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CHESTER SOLICITORS require an Accountant for Trust and Company work. The position offers variety and good prospects to the right person. Progressive salary and contributory pension scheme. Write with full details to ALAN HILTON, A.S.A.A., 26 Nicholas Street, Chester.

COOPER BROTHERS & Co. require Chartered or Incorporated Accountants between 28 and 35, preferably with some industrial experience, for department which specialises in management accounting and accounting methods including systems. Salary according to qualifications and will keep pace with progress. Apply in writing to 14 George Street, Mansion House, London, E.C.4.

EAST ANGLIAN firm of Chartered Accountants require a Senior and a Semi-Senior Audit Clerk. Scope for wide experience and opportunities for advancement. Office Pension Scheme. Write, stating age, experience and salary required, to Box No. 539, c/o ACCOUNTANCY.

HAMPSHIRE Chartered Accountants have vacancy offering good prospects of advancement for young qualified accountant as senior assistant to audit group manager. Position requires sound technical knowledge and organising ability. Post-qualifying experience an advantage. Good starting salary. Pension scheme. Write stating age, experience, salary, etc., to Box No. 537, c/o ACCOUNTANCY.

NEWLY-QUALIFIED CHARTERED OR INCORPORATED ACCOUNTANT required for service in Nigeria with a firm of booksellers and stationers having branches throughout the country for an initial tour of 20 months with a view to permanency. Applicant should be a convinced Christian. Salary in range £850—£1,000 p.a., plus Expatriation Allowance of £150 p.a. Contributory Pension Scheme. Free passage and housing. Outfit allowance. Apply giving details of age and experience to: The Secretary, CHURCH MISSIONARY SOCIETY, (NIGERIA) BOOKSHOPS, 6 Salisbury Square, London, E.C.4.

NIGERIA. A firm of practising accountants require two young qualified men with good experience for work involving travel, initially within Nigeria, but possibly later extension to adjoining countries. Single men therefore preferred. Commencing salary rate £1,500 per annum: tours approximately eighteen months with generous leave on full salary. Provident Fund: Kit allowance £60: Car purchase assistance and adequate running allowance. Very low Income Tax. Apply with full particulars to Box No. 224, DORLAND ADVERTISING LTD., 18-20 Regent Street, S.W.1.

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